Supreme Court, U.S.
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No: _____

In the
Supreme Court of the United States
October Term, 1998

–

Roger Lee Heath
Petitioner,

v.

Baxter, Walters, Berger, and
Parties Listed in Pages iii – vi Attached.
Respondents

--

On Petition For a Writ of Certiorari To The United States Court of Appeals for the Seventh Circuit

--

PETITION FOR A WRIT OF CERTIORARI

--

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100pp

QUESTIONS PRESENTED FOR REVIEW

1. Whether the Court improperly denied Petitioner notice of, and an opportunity to respond to, the allegations of fraud before imposing the sanctions of dismissal with prejudice in violation of the Fifth Amendment Due Process Clause in conflict with relevant Supreme Court and other Appellate Court decisions.

2. Whether filing of an accurate financial accounting number in an application for Forma Pauperis may be construed by the Court as fraud and then used to dismiss a case when other serious potential civil and criminal violations previously identified by the Court remain uncontested, including,

> "fraud by Plaintiff's former lawyers, conversion of patents by Plaintiff's former patent attorney, patent infringement, contributory infringement, unfair competition, defamation, blackmail, sexual harassment, extortion, misrepresentation, legal malpractice, collusion, payoffs, and that William Barrows and Hopkins & Sutter failed to rectify Plaintiff's demise."

and, in the face of additional new evidence of further potential violations by Defendants having been presented, is, in fact, a violation of the Court's obligations under Rule 61 of the Federal Rules of Civil Procedure.

3. Whether Patent Rights and Issues have precedence over all other issues within a patent infringement case so that an inventor's rights under Article 1 Section 8 of the Constitution may not be compromised.

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TABLE OF CONTENTS

QUESTIONS PRESENTED FOR REVIEW..... i–ii

LIST OF PARTIES..... iii–vi

TABLE OF AUTHORITIES..... x-xi

OPINIONS BELOW..... 1

JURISDICTION..... 1

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED..... 2

STATEMENT OF FACTS..... 2

ARGUMENT FOR GRANTING WRIT OF CERTIORARI..... 12

1. THE COURT OF APPEALS FOR THE 7TH CIRCUIT HAS DECIDED AN IMPORTANT FEDERAL QUESTION WHICH CONFLICTS WITH RELEVANT U.S. SUPREME COURT AND APPELLATE COURT DECISIONS.

2. DEFENDANTS HAVE DEPRIVED PETITIONER OF BENEFITS OF OVER ONE HALF BILLION IN SALES OF HIS MORE THAN 30 LIFE-SAVING PATENTS OR INVENTIONS. DEFENDANTS ARE

COMPOSED PRIMARILY OF VERY LARGE COMPETITOR CORPORATIONS , SOME OF WHICH HAVE ALREADY PLED GUILTY TO PAYOFFS, CONSPIRACY, AND RICO VIOLATIONS, OR INTERFERENCE CONCERNING OTHER'S PATENTS OR COMPETITIVE BUSINESSES IN OTHER CASES. PETITIONER IS PRO SE AND AN INDIVIDUAL ATTEMPTING TO OBTAIN REMEDIES. FOR SIMILAR SERIOUS CRIMES. WHICH THE COURTS FAILED TO ADDRESS VIOLATING F.R.C.P. RULE NUMBER 61.

3. THE COURT OF APPEALS FOR THE 7TH CIRCUIT HAS DECIDED AN IMPORTANT FEDERAL QUESTION WHICH CONFLICTS WITH RELEVANT U.S. SUPREME COURT AND IT'S OWN DECISIONS WITH REGARD TO CONSTITUTIONAL PATENT LAW AND FUNDAMENTAL CONSTITUTIONAL RIGHTS OF AN INVENTOR

CONCLUSION..... 25

APPENDIX..... App. 1

Order of 7th Circuit Court of Appeals August 3, 1998..... App. 1

Brief of Amicus Prof. Gary H. Palm App. 6

Reply Brief of Prof. Gary H. Palm... App.43

TABLE OF AUTHORITIES

page

Cases:

Roadway Express, Inc. v. Piper, 447 U.S. 752, 767 (1980)..... 13,14,15

Denton v. Hernandez, 504 U.S. 34 (1992)..... 11,16

Logan v. Zimmerman Brush Co., 455 U.S. 422, 428-29 (1982) 14

Martinez v. California, 444 U.S. 277, 281-82 (1980)14

Chambers v. NASCO, Inc., 501 U.S. 32, 40 (1991) 14

Mathis v. New York Life Ins. Co., 133F.3d 546, 547 (7th Cir. 1998)..... 17

Societe Internationale Pour Participations Industrielles Et Commerciales, S.A. v. Rogers, 357 U.S. 197, 209 (1958)..... 14

Pharmacare v. Caremark. 965 F. Supp. 1411 (Hawaii) 1996..... 21

Littlefield v. Perry, 21 Wall. (88 U.S.) 205,222, 22 L.Ed. 577 (1875) 24

Federal Statutes:

28 U.S.C. Sec. 1254..... 1

28 Sec. 1915 ..... 16, 17, 18, 23, 24, 25

Constitution:

Fifth Amendment..... 2, 13, 14, 23

Article 1 Section 8..... ii, 2, 24

Federal Rules of Civil Procedure:

Rule 61..... vii, 2, 18, 21, 23, 26

OPINIONS BELOW

On March 18, 1997 the District Court of the Northern District of Illinois dismissed the Case

In an order dated August 3, 1998 the Seventh Circuit Court of Appeals affirmed the District Court's order denying Plaintiff's Appeal. This order is unpublished and appears in the Appendix.

JURISDICTION

In an order dated August 3, 1998 the Seventh Circuit Court of Appeals affirmed the District Court's order. Jurisdiction of this Court is proper under 28 U.S.C. Sec. 1254.

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

Fifth Amendment:

> No person shall be . . . deprived of life, liberty, Or property, without due process of the law . . .

F.R.C.P. Rule 61

> The court at every stage of the proceeding must disregard any error or defect in the proceeding which does not affect the substantial rights of the parties.

Article 1 Section 8:

> To promote the progress of science and useful arts, by securing for limited times to authors, and inventors, the exclusive right to their respective writings and discoveries . . .

STATEMENT OF FACTS

Petitioner, Roger Lee Heath, has invented extremely valuable life saving technology. In 1983, Prudential Bache Securities, a nationally recognized securities firm, valued Petitioner's technology "conservatively" at $66.5 million dollars. Petitioner's inventions have been credited as saving thousands of lives worldwide and Petitioner has been nominated for the nation's highest prize awarded inventors, The Lemelson MIT Prize, by the Chairman of the American Heart Association, AED Committee, Dr. Richard Kerber, and other prominent medical experts . The American Heart Association has launched a national campaign to make use of

Petitioner's inventions as common as fire-extinguishers and fax machines beginning with first responders. This has increased the value of Petitioner's inventions substantially and will continue to do so in coming years.

Present estimated sales infringing Petitioner's patents, including some popular surgical applications, are estimated to be greater than $688,000,000.

This Case focuses primarily on three competitors (defendants) of Petitioner;

(1) Baxter International
(herein referred to as 'Baxter')
(2) Medical Research Labs
(herein referred to as 'MRL')
(3) Zenex Corporation
(herein referred to as 'Zenkich or Zenex')

;and those who have aided, in one way or another, each or all these competitors in anticompetitive activities including the criminal demise of the Petitioner and the company he founded, R2 Corporation. (the successor which is defendant, R2 Medical Systems, Inc. who is referred to herein as 'R2') The events surrounding the Defendants and the Petitioner are highly detailed in a Sworn Statement and Chronology assembled originally for attorney Eugene Friedman appointed by the District Court.

As the Court will see in disclosures, the Petitioner's former patent counsel and defendant, Gomer W. Walters, and his law associates or friends, each play key roles in the

systematic, prolonged, and pervasive deception of both Petitioner and the investors in the company he founded, R2, chiefly on behalf of the above competitors or their associates.

The events outline at least three parallel Conspiracies against the Petitioner, each representing actions on behalf of an above mentioned competitor:

(1) - On Behalf of Zenex - In very short summary, in this conspiracy Petitioner was referred by Zenex's own attorneys, defendant Dalton and others, to Gomer Walters. Walters then filed a lawsuit for Petitioner against Zenex, only to then intentionally loose it. Afterwards Gomer Walters converted Petitioner's patent rights to both himself and Zenex and then joined in practice with Zenex's own attorneys as rewards or payoffs.

(2) - On Behalf of Baxter - In very short summary, this conspiracy involves, in Gomer Walter's own words, a conspiracy or 'pathway to follow' given to him by Baxter Chairman, defendant William Graham. It should also be noted that Gomer Walters is a former Yale football teammate of defendant Vernon Loucks, Jr, CEO of Baxter, and that these facts were never presented to Petitioner as potential conflicts. In executing this conspiracy, Baxter and Loucks close associates (defendants Phildius, Kenyon, Scott, and Townsen (or Ventana Growth Fund)), and Graham's own former secretary, defendant Diana Hillier (placed into Petitioner's company by Gomer Walters himself.) participate in blackmail of Petitioner for sexual harassment, using a blackmail letter drafted, at least in part, by defendant,

Nadeen Berger. This is after Petitioner refused to sell his company to defendant NDM which later became Baxter/NDM and who supplies Baxter. After the blackmail of Petitioner, Baxter/NDM then infringed Petitioner's patents and proceeded to award defendant Gomer Walters, through its associates, a payoff or royalties potentially worth over $2,500,000. representing conversion and further infringement of the Petitioner's patent rights.

(3) - On Behalf of MRL - In very short summary, this conspiracy involves certain investors and advisors of defendant/competitor MRL; Dr. Gary Anderson, Ray Kraftson, and Safeguard Scientifics, who joined the Baxter associates mentioned above in demise of Petitioner. This is after these MRL associates, along with other investors, learned of a new defibrillator/resuscitator design that might obsolete MRL products.Then MRL was rewarded or paid off by acquiring distribution of Petitioner's technology and an illegally acquired agreement to pursue the highly secret defibrillator/resuscitator project infringing Petitioner's patents.

The conspiracies above involve many complex legal issues,. with other collaborating Defendants. After Petitioner's criminal demise, William Barrows and Hopkins & Sutter then aided in the further criminal destruction and infringement of the Petitioner's rights by not properly litigating on behalf of the Petitioner. Barrows also defrauded Petitioner about many legal issues, thus participating in said conspiracies, to further 'set the stage' for payoff of his attorney friend, Gomer Walters, who then signed an agreement, or conversion, or final payoff for $2,500,000 or

more of what should be Petitioner's patent royalties, when he was owed only a very small amount of fees, and for his pervasive and prolonged participation in these events since the beginning.

Afterwards, the competitors listed above even eventually hired away the technical engineering expertise assembled by Petitioner, dividing it among themselves in the concerted, well planned and executed intentional destruction of Petitioner and his company as a viable competitor within medical markets, and even appointed to the Petitioner's company's board former Baxter executives and MRL associates.

Petitioner after being misled and coerced, with this criminal undue influence and fraud, into a settlement, then disclosed part of the issues to some shareholders and authorities at which time this coerced settlement was breached ultimately throwing Petitioner into an even more severe prolonged state of mental strife, poverty, loss of his home, and virtually everything meaningful to him, and finally destroying any reputation or normal life to which he is deserved. Petitioner was blackballed right out of the medical industry after inventing products ultimately responsible for saving thousands of lives in the United States and worldwide.

Petitioner has invented medical lifesaving products that have now accounted for over ONE HALF BILLION DOLLARS in sales. Petitioner has received NO ROYALTIES AT ALL on his more than 30 patents. Petitioner begs the Court to understand that this could only

have occurred due to a systematic and pervasive CONSPIRACY to DEFRAUD and DECEIVE, over a long period, by Petitioner's own former legal counsel, and Defendants, with the intent to participate in the infringement of Petitioner's own inventions or patent rights, and further, to conspire with competitors, especially Defendants of Baxter, in the deliberate destruction of Petitioner's life, with the intent to restrain trade and competition, and with the intent to permanently eliminate any just pathway of recourse, legal and otherwise, by Petitioner against Defendants. This undue influence, fraud, and moral coercion to extort from Petitioner his extremely valuable patents, valuable equity in the company he founded, disable any competition from Petitioner, and infringe his technology, is criminal, and also represents serious Patent, Federal Antitrust, Federal Securities Law, and Federal RICO Racketeering violations.

Classically, as a whole conspiracy, involving multiple competitors conspiring together 'horizontally' in collaboration with others to cripple or disable a single potential competitor to limit competition, restrain trade, extort and infringe his patent rights, is also a violation of the Sherman Act and when utilizing criminal actions or methods upon more than one related entity is a violation of the Federal RICO racketeering laws, and when done with an intent to manipulate equity or securities is a violation of Federal Securities Laws. Defendants in this case intended from the beginning to violate these Federal laws through application of the other means. Certain other named defendants aided and abetted these competitors in these violations..

Heart Disease is the nation's number one killer. Actions by the defendants have disabled not only Petitioner's abilities to openly and fairly compete, further develop, and benefit from his life saving patents, but also have prohibited Petitioner from saving additional lives on a national scale through the proven and expanded application of his unique expertise. Petitioner's designs have never been completed. This alone is a serious ongoing crime against the Petitioner and the United States.

Exhibits for above statements are available in the 4/4/97 - MEMORANDUM (Incomplete Amended Complaint) by pro se Petitioner Roger Heath (exhibits 1-31 and A-Z) (Docket #246 - 4/22/97)

Other issues identified concerning this complex case are in the record from three basic parties, The District Court, Eugene Friedman (an attorney appointed by the District Court), and Roger Lee Heath, the Petitioner.

On March 19,1996 The District Court found the following issues or claims could be identified within the Petitioner's Original Complaint and subsequent responses;

> "fraud by Petitioner's former lawyers, conversion of patents by Petitioner's former patent attorney, patent infringement, contributory infringement, unfair competition, defamation, blackmail, sexual harassment, extortion, misrepresentation, legal malpractice, collusion, payoffs, and that William Barrows and Hopkins & Sutter failed to rectify

> Petitioner's demise." (see MINUTE ORDER 3/19/96 – Docket #217 - 4/22/97)

The district court order of March 19th also granted Petitioner's in forma pauperis motion and the Court spent the better part of a year attempting to appoint counsel to Petitioner. This was never successful, as no attorney appointed by the court could represent Petitioner due to Conflicts of Interests or did not ever file an appearance on behalf of Petitioner.

On October 25, 1996 additional or same issues concerning this case were identified by Eugene Friedman, an attorney appointed by the District Court;

> "... Friedman reached two important conclusions concerning the further handling of this case. First, the action concerns various bases only peripherally connected to patent law. These bases specifically include legal malpractice, breach of fiduciary responsibilities, breach of contract, antitrust law, securities violations, fraud, conversion, and possibly others." (see MEMORANDUM 4/4/97 - Exhibit 7 - Docket #246 - 4/22/97)

On March 18, 1997 the District Court suddenly, and without any prior notice to Petitioner, sua sponte dismissed the Case. The Petitioner's case was dismissed, with prejudice, due to a dispute over accounting terms in which the District Court concluded that Petitioner defrauded the District Court on his application for counsel on a Forma Pauperis form. The Order did not address any of the above

serious legal issues at all or other reasons for original appointment of counsel, provided under Rule 3.82, and requested by Petitioner in his motion. No hearing was ever allowed for the Petitioner to produce evidence the numbers and accounting terms listed on his application were accurate. (*See Appendix*) (also see 3/19/96 MINUTE ORDER - Docket #217 4/22/97)

This occurred even though the Court never even appointed an attorney that signed an appearance on behalf of Petitioner.

On April 4, 1997 the Petitioner filed in the District Court a Motion for Reconsideration of the order to dismissal. Contained in this filing is a Memorandum or Incomplete Amended Complaint with attachments, which lists many specific statutes and related issues that are the issues in his case. This MEMORANDUM also contained new evidence from shareholders, and others, of securities fraud and secretly kept payoffs potentially in the millions of dollars. (See 4/4/97 - MEMORANDUM (Incomplete Amended Complaint) by pro se Petitioner Roger Lee Heath in support of motion for reconsideration of the order for dismissal and Incomplete Amended Complaint. (exhibits 1-31 and A-Z) (Docket #246 - 4/22/97))

Petitioner is PRO SE, not an attorney or an accountant, and without legal background in most of these issues. It is important to understand that Petitioner's first Complaint was filed in haste, with broad claims, and numerous defendants, after Petitioner had considerable and unsuccessful attempts to retain counsel, and after Petitioner

learned he had been deliberately misled, by his own counsel, who are defendants in this case, regarding many important legal issues surrounding his case. After filing his first Complaint, Petitioner has been in the process of learning the Court's rules as he struggles along attempting, to the best of his abilities, to understand the rules, forms, accounting principles, and the complex legal issues surrounding his case.

The Petitioner filed an Appeal in the Seventh Circuit on May 19, 1997. The Incomplete Amended Complaint. (exhibits 1-31 and A-Z) (Docket #246 - 4/22/97)) mentioned above, approximately three inches thick, turned up missing from the records in the Clerk's office and an original copy had to be refiled by Petitioner for the 7th Circuit.

On November 6, 1997 the Seventh Circuit appointed University of Chicago Law School Professor, Dr. Gary H. Palm, as Amicus Curiae to produce an opinion. He was directed in the Order to comment regarding *Denton v. Hernandez*, 504 U.S., 34 (1992). Dr. Palm and his associates also collected facts in the case, including detailed facts about Petitioner's finances directly from the Petitioner's accountant or C.P.A to determine if the accounting number used by the Petitioner was fraudulent.

On March 23, 1998 Dr. Palm produced an opinion concluding the Petitioner's numbers presented in his Application for Forma Pauperis were accurate and NOT FRAUD. In addition, the professor concluded that the District Court had acted in conflict with U.S. Supreme Court and U.S. Appellate Court decisions by not providing a fair hearing where all these facts could be revealed. Dr. Palm

affirmed his positions and findings in a Reply Brief. Both of these briefs are attached within the Appendix of this filing. (*See Appendix*)

The Court never allowed Dr. Palm opportunity for Oral Argument after he filed a Motion for Postponement on June 4, 1998 due to illness, and also did not allow Petitioner an opportunity to participate in Oral Argument after he filed the appropriate card and even filed a Motion to do so on June 3, 1998. No oral arguments were permitted by the Circuit Court.

In an order dated August 3, 1998 the Seventh Circuit Court of Appeals agreed with the District Court. and affirmed its decision. The Appellate Court did not even respond directly to the crucial and pertinent issues found and presented by Professor Palm at all. The Appellate Court did not even respond to the very serious civil and criminal issues, in the Petitioner's Case, already previously identified by the District Court and attorney Friedman, and the Petitioner.

ARGUMENT FOR GRANTING WRIT OF CERTIORARI

1. THE COURT OF APPEALS FOR THE 7TH CIRCUIT HAS DECIDED AN IMPORTANT FEDERAL QUESTION WHICH CONFLICTS WITH RELEVANT U.S. SUPREME COURT AND APPELLATE COURT DECISIONS.

Rule 10(c) of the Rules of the Supreme Court (Jan. 16, 1997) states,

> "(c) a state court or a United States court of appeals has decided an important question of federal law that has not been, but should be, settled by this Court, or has decided an important federal question in a way that conflicts with relevant decisions of this Court."

The 7th Circuit has ruled in direct conflicts to Supreme Court decisions in *Roadway Express, Inc. v. Piper*, 447 U.S. Amicus stated in his brief.

> "The district, have initially concluded that Mr. Heath did not commit fraud, reversed its finding and sua sponte dismissed his case with prejudice. (App. 16). The court gave him no notice of this sanction prior to the order of dismissal. He had no opportunity to prepare a defense and present it in a full evidentiary hearing. Because dismissal with prejudice is the most extreme sanction, the district court violated Mr. Heath's Fifth Amendment rights by denying him these due process protections. See Roadway Express, Inc. v. Piper, 447 U.S. 752, 767 (1980)."

and further Amicus stated,

> "Despite concluding during the in camera proceeding that Mr. Heath had not committed fraud (Id., pp. 15,19), one week later the District Court increased the sanction against Mr. Heath by sua sponte dismissing his case with prejudice. (App. 16). Again, however, the court gave Mr. Heath no

notice prior to the order itself that the court was considering this penalty. (Id.). At no point during the in camera hearing did the court give Mr. Heath any indication that it was considering sanctions. At the conclusion of the hearing, the court, having made no finding of fraud, vacated the finding of in forma pauperis. (App. 21, p. 16). Indeed, the court gave made clear suggestions that Mr. Heath's case would go forward, asking whether he was going to amend his complaint and suggesting he retain counsel. (Id., pp. 16, 20). The lack of notice prior to the sanction violates Mr. Heath's due process rights under the Fifth Amendment. U.S. Const. amend. V.

The Supreme Court has established that a cause of action is a type of property interest protected by the Due Process Clause. Logan v. Zimmerman Brush Co., 455 U.S. 422, 428-29 (1982) (citing Martinez v. California, 444 U.S. 277, 281-82 (1980)). Further, it is well settled that due process requirements apply to sanctions. Chambers v. NASCO, Inc., 501 U.S. 32, 40 (1991); Societe Internationale Pour Participations Industrielles Et Commerciales, S.A. v. Rogers, 357 U.S. 197, 209 (1958). Specifically, the Court has stated that sanctions "should not be assessed lightly or without fair notice and an opportunity for a hearing on the record." Roadway Express, Inc., 447 U.S. at 767 (examining the due process concerns of imposing attorneys' fees pursuant to court's inherent powers). Moreover, because dismissal with prejudice is the most extreme sanction, it merits the highest due process protections. " (*See Appendix*)

A. The Issue Whether Litigants Proceeding Under the *In Forma Pauperis* Statute Are Entitled to a Hearing before Their Case May be Dismissed for Filing an Allegedly False Affidavit of Poverty Is an important Federal Question:

1. It is important because there are thousands of in forma pauperis litigants who need the Supreme Court's guidance about what procedure is required. Litigants should have notice of the issues the Court is going to decide in order to have reasonable time prepare a defense. Litigants should have a hearing where all pertinent facts may be made available to provide for a just and fair ruling.

2. This is now especially important in light of the amendment to the *in forma pauperis* statute which now mandates dismissal. Now even more in forma pauperis litigants will be facing this issue.

3. This is very significant as many in forma pauperis litigants are proceeding *Pro Se*, and are thus especially in need and deserving of even more guidance by the court.

A. The Decision of the Court of Appeals for the 7th Circuit Is In Direct Conflict with the United States Supreme Court's Decision in *Roadway Express v. Piper*.

1. When the court seeks to permanently deprive a litigant the opportunity to have his or her claim heard on the merits, due process concerns dictate that a hearing must be given prior to the imposition of this sanction. See *Roadway Express, Inc.*, 447 U.S. at 767; *Harris*, 664 F.2d at 390.

2. Every litigant should be entitled to a hearing and the 7th Circuit in this case denied Petitioner any such hearing. This is important to all litigants in all courts through-out the United States. The ruling in this case should not conflict with existing Supreme Court rulings regarding this issue. Petitioner in this case should be allowed the same fair and reasonable opportunities to produce supporting materials equal to the opportunities already afforded presently to other litigants.

C. The Decision of the Court of Appeals for the Seventh Circuit Is in Direct Conflict with the United States Supreme Court Decision in *Denton v. Hernandez.*

1. The Question whether dismissal under a in forma paupris statute may be with prejudice is important since it is preferable to have a case heard on its merits rather than being simply thrown out on a procedural issue. This has been addressed by *Denton v. Hernandez*

The Supreme Court's decision in *Denton v. Hernandez*, 504 U.S. 25, 34 (1992) precludes a court from dismissing a complaint with prejudice under § 1915 for filing a false affidavit of poverty. However, even a dismissal without prejudice would be an abuse of discretion as applied to Petitioner's case because the district court's finding of fraud was erroneous according to Professor Palm and his associates findings on behalf of the Court. *(See attached Appendix*)

Section 1915 fails to specify whether dismissal for filing a false affidavit of poverty may be with prejudice. § 1915(d) (West 1994); § 1915(e)(2) (West 1996).

In *Denton*, however, the Supreme Court held that "[b]ecause a § 1915(d) dismissal is not a dismissal on the merits, but rather an exercise of the court's discretion under the in forma pauperis statute, the dismissal does not prejudice the filing of a paid complaint making the same allegations." *Denton*, 504 U.S. at 34. In reviewing a determination of frivolousness, the Court wrote that a dismissal may have res judicata effect on *frivolousness* determinations for future *in forma pauperis petitions*. Id. (emphasis added). Thus, only determinations of frivolousness may result in dismissal with prejudice. See Id. Because a district court's determination that the allegation of poverty is untrue is not a decision on the merits, a litigant may not be precluded from filing a paid complaint. See Id.

The 7th Circuit beginning with *Mathis v. New York Life Ins. Co.*, 133F.3d 546, 547 (7th Cir. 1998) has begun to produce a pattern of decisions in this area conflicting with Supreme Court opinions.

The attached Appendix contains both briefs by Professor Palm detailing these issues and citing more relevant cases, as well as the basis of finding that, in fact, the Petitioner did not commit fraud. Since the Petitioner was not allowed a hearing with which to present his accountant and materials on these matters, he was not allowed reasonable time or a venue to

show both pertinent evidence and merit and the validity of his filing. Dr. Palm concludes,

> "this court should find that the district court inappropriately resolved genuine issues of disputed fact. *Denton*, 504 U.S. at 34. During the in camera proceeding, Mr. Heath sought to raise a dispute regarding the allegations of fraud. (App. 21, pp. 13-15). However he was prevented from doing so because the district court denied him the opportunity to present evidence."

Petitioner, like others within the Courts, should be allowed a hearing on the merits within his case and the above facts that clearly demonstrate the Court came to an erroneous conclusion of fraud and then abused through dismissal with prejudice which is conflicting with the Supreme Court decisions.

2. DEFENDANTS HAVE DEPRIVED PETITIONER OF BENEFITS OF OVER ONE HALF BILLION IN SALES OF HIS MORE THAN 30 LIFE-SAVING PATENTS OR INVENTIONS. DEFENDANTS ARE COMPOSED PRIMARILY OF VERY LARGE COMPETITOR CORPORATIONS , SOME OF WHICH HAVE ALREADY PLED GUILTY TO PAYOFFS, CONSPIRACY, AND RICO VIOLATIONS, OR INTERFERENCE CONCERNING OTHER'S PATENTS OR COMPETITIVE BUSINESSES IN OTHER CASES. PETITIONER IS PRO SE AND AN INDIVIDUAL ATTEMPTING TO OBTAIN REMEDIES. FOR SIMILAR

CRIMES. WHICH THE COURTS HAVE NOT ADDRESSED VIOLATING F.R.C.P. RULE NUMBER 61.

Rule 61 of the Federal Rules of Civil Procedure states,

> "The court at every stage of the proceeding must disregard any error or defect in the proceeding which does not affect the substantial rights of the parties."

This rule is extremely important in any decision because each litigant though-out the nation should be guaranteed that the courts obligations to deliver substantial justice, and that the litigant's other rights, are not to be compromised by minor inconsequential common human errors that are normally occurring within all legal venues and all proceedings.

If this Rule is not required, then any court within the United States may simply dismiss a case on the most minor of errors. Errors of such character are obviously much more probable with *pro se* litigants who are not trained as either accounting or legal professionals.

The courts have unfairly drawn false conclusions by utilizing accounting numbers in it's ruling out of context and that have absolutely no relevance what-so-ever to Petitioner's original application submitted for forma pauperis, which has been the subject of the case dismissal. Accounting periods are unfairly used by the courts which do not even apply to the period asked for upon the original form at all. Also, the forma pauperis form is sufficiently vague

enough as to ask for salary and wages, and the Petitioner has neither because he is self-employed. The Petitioner's income has varied widely as well. In addition, the order does not even take into fair and proper consideration the timing of the availability of accounting information in the full relative context of Petitioner's statements in the in-camera proceeding. The Petitioner provided an affidavit from a fully qualified registered C.P.A. with his application form explaining relevant accounting information. There was never any attempt to mislead the court at all. This has been substantiated by Petitioner and independently by Amicus, Professor Gary Palm. (*See Petitioner's Appeal to the 7th Circuit dated May 19, 1997 and Appendix*)

On March 19, 1996 The District Court found the following issues or claims could be identified within the Petitioner's Original Complaint and subsequent responses;

> "fraud by Petitioner's former lawyers, conversion of patents by Petitioner's former patent attorney, patent infringement, contributory infringement, unfair competition, defamation, blackmail, sexual harassment, extortion, misrepresentation, legal malpractice, collusion, payoffs, and that William Barrows and Hopkins & Sutter failed to rectify Petitioner's demise." (see MINUTE ORDER 3/19/96 – Docket #217 - 4/22/97)

On October 25, 1996 additional or same issues concerning this case were identified by Eugene Friedman, an attorney appointed by the District Court;

> "... Friedman reached two important conclusions concerning the further handling of this case. First, the action concerns various bases only peripherally connected to patent law. These bases specifically include legal malpractice, breach of fiduciary responsibilities, breach of contract, antitrust law, securities violations, fraud, conversion, and possibly others." (see MEMORANDUM 4/4/97 - Exhibit 7 - Docket #246 - 4/22/97)

Not only these findings have occurred, but some defendants or their associates have already pled guilty in well known cases for many other similar payoffs and R.I.C.O. violations. Defendant Baxter was convicted of bribery in violation of the Arab Israeli Boycott in a suit filed by the U.S. Attorney in Chicago paying a $6,000,000 fine. In 1996 Baxter was to pay $8,000,000 dollars in damages for being found guilty in a suit alleging business interference in inventor Brian Zdeb's competing business. More recently, under allegations by additional competitors, both Baxter and Caremark were sued successfully for R.I.C.O. violations in *Pharmacare v. Caremark*. 965 F. Supp. 1411 (Hawaii) 1996. Caremark eventually pled guilty to mail fraud paying $9,000,000 and later bribery of physicians paying $20,000,000 in fines. Petitioner names at least one former executive of Caremark and Baxter in this case and also alleges R.I.C.O. violations.

Rule 61 of the Federal Rules of Civil Procedure, to which both the district court and court of appeals are subject, mandates that these very serious potential violations MUST be weighed relative to the other rights of the parties

involved. Yet in no instance does each court fulfill its responsibility to fully test the merits within Petitioner's allegations, or the very serious potential violations already identified by the district court and then fairly measure their importance to the dispute over a small financial accounting term on a forma pauperis form by Petitioner and how their decision might affect the rights of the parties.

Indeed, the Supreme Court should address these very important issues. If these allegations have merit, as they already have had in other very similar cases, then the action of dismissing a case under any circumstances where valid criminal charges are brought forth and are not at all properly addressed as the rules of the court require, puts actual criminals at an unaccounted for advantage to freely commit serious civil or criminal acts in almost any case without any concern for the consequences in law that should follow.

In fact, if the courts do not have to follow this rule, then no accountability for merit to serious potential violations are made to any court in these United States, regardless of Petitioner's case. Thus this issue is extremely important to any litigant who may have valid allegations.

In addition, in this case, where Petitioner's inventions are widely acclaimed and responsible for saving thousands of lives through-out the United States an assessment could even be made to the actual loss of human life in the United States due to the destruction of Petitioner and his company as a viable competitor by his primary competitors restricting not only competition, but also his ability to save more lives through unrestrained extensions of his expertise within the

United States. (*See* MEMORANDUM 4/4/97 - Docket #246 - 4/22/97)

Potential R.I.C.O. violations also impact the rights of the citizens, and even the government, of the United States to the benefits of a competitive market, which also, in this case, involves the actual saving, or not saving, of human lives ultimately depending upon the unrestrained development and competitive marketing of new critical medical technologies.

The courts violated their responsibilities required under F.R.C.P. Rule 61 and violated the Petitioner's Fifth Amendment Due Process Rights as well as the other rights to which he is entitled within his allegations. In this light, and in the light of such serious potential civil and criminal violations, the courts also abused their discretionary privileges under Sec.1915. Petitioner is quite certain that no one has intended such privileges to be used to let such potentially serious violations, 'off the hook'. Since the Petitioner is not guilty of a fraud, the abuse of this responsibility, and the above statute, is even of substantially greater magnitude. (*See Appendix*)

3. THE COURT OF APPEALS FOR THE 7TH CIRCUIT HAS DECIDED AN IMPORTANT FEDERAL QUESTION WHICH CONFLICTS WITH RELEVANT U.S. SUPREME COURT AND ITS OWN DECISIONS WITH REGARD TO CONSTITUTIONAL PATENT LAW AND FUNDAMENTAL CONSTITUTIONAL RIGHTS OF AN INVENTOR.

Patent rights are granted under the United States Constitution, Article 1 Section 8:

> "To promote the progress of science and useful arts, by securing for limited times to authors, and inventors, the exclusive right to their respective writings and discoveries. . ."

Petitioner's case is an action arising out of his rights under Article 1, Section 8 of the United State's Constitution.

The United States Supreme Court in *Littlefield v. Perry*, 21 Wall. (88 U.S.) 205,222, 22 L.Ed. 577 (1875) in a test of jurisdiction, stated,

> "An action which raises the question of infringement is an action arising 'under the [patent] law', and one who has the right to sue for infringement may sue in the [federal] court. Such suit may involve the construction of a contract as well as the patent, but will not oust the court of its jurisdiction. If a patent is involved, it carries the whole case."

In the above decision by the Supreme Court it was determined that the Constitutional rights of the inventor will take precedence over all other issues. The important Federal Question is whether this implies precedence over discretionary procedures such as those within Section 1915. If rights granted by the United States Constitution are involved and they, 'carry the whole case.', then no discretionary procedure may be used to deny an inventor his

or her Constutionally granted rights. Such procedures, in this context, are unconstitutional.

This question is fundamental to the Constitution and absolutely critical to hundreds and thousands of inventors or writers now and in the future in the United States.

In Petitioner's case an absurdly simple dispute over accounting terminologies was subject used to deny Petitioner's Constitutional rights previously granted by the United States Patent and Trademark Office to Petitioner for patents worth hundreds of millions, if not several billions of dollars. The use of a discretionary procedure within Sec. 1915 was a violation of Petitioner's Constitutional rights.

CONCLUSION

The Court denied the Petitioner a hearing where facts could be properly and fairly presented and in the process violated existing Supreme Court and other Appellate decisions. The Petitioner simply did not commit a fraud on the court. The 7th Circuit Appeals Court admits in its order that the Petitioner attached an affidavit to his application for in forma pauperis from his accountant explaining the figure presented upon his application. Amicus Curiae appointed by the court confirms this as a matter of fact and that thus there was NO FRAUD or basis for dismissal of Petitioner's case to begin with under Sec. 1915. The Amicus is the ONLY one to view all the pertinent financial records of the Petitioner, and thus the ONLY one who could have formed a qualified opinion in this matter.

The district court found multiple potential violations by defendants of an extremely serious civil and criminal nature within the Petitioner's case. These violations have, and are, even costing the saving of precious human life throughout this nation. To this day all these remain totally uncontested, or even thoroughly evaluated for their merit, even though some of the defendants have pled guilty to similar crimes in other instances. F.R.C.P. Rule 61 dictates that the courts exist to deliver substantial justice and MUST NOT compromise the rights of the parties for harmless error in any case. The Petitioner, and all other litigants within the land deserve to be assured that no Court is above its own rules and that its obligations to protect all the rights of all the parties in any event will occur. To dismiss this case over a dispute in accounting terminology when many human lives through-out the United States are at risk, is a travesty beyond words. The American People, much less the Petitioner, deserve far better.

The Supreme Court has ruled that if patent issues are involved that all other issues in a case must follow. The actions by the lower courts conflicts with this Supreme Court ruling and violates Petitioner's Constitutional Rights under Article 1, Section 8 of the United States Constitution. Inventors constitutional rights in this country should not be compromised by any other issues in litigation.

For the above very important reasons, and those attached, Petitioner respectfully prays the Court to grant this writ.

Respectfully submitted,

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APPENDIX

(unpublished order not to be cited per Circuit Rule 53)

United States Court of Appeals
For The Seventh Circuit
Chicago, Illinois 60604

Submitted June 5, 1998
Decided August 3, 1998
Before
Hon. RICHARD J. POSNER, Chief Judge
Hon. WILLIAM J. BAUER, Circuit Judge
Hon. MICHAEL S. KANNE, Circuit Judge

Roger L. Heath, *Plaintiff-Appellant*

No. 97-1844 v.

Gomer W. Walters, Baxter International,
et. al., *Defendants-Appellees*

Appeal from the United States District Court
For the Northern District of Illinois
No. 94 C 7812
George Lindberg, Judge

ORDER

On December 30, 1994, Roger Heath filed a *Pro Se* complaint against many defendants alleging patent infringement. He applied to proceed in forma pauperis. An in

forma pauperis application asks for gross and net salary or wages. Heath indicated that he had a gross annual income of $33,000 and a net anniual income of $22,000. In April of 1995, Heath moved for appointment of counsel and filed an amended application to proceed in forma pauperis, indicating am "Average income (NET of TAX) = 2016.17 annually." Heath attached several documents to his motion for appointment or counsel including a report from his accountant. This report indicates that Heath had $35,478 in gross income from April 1, 1994 to March 31, 1995. The report also mentions the figure that Heath included on his application to proceed in forma pauperis, indicating that Heath realized a net gain of $2016 after tax and *after living expenses*. The Court granted Heath motion to proceed in forma pauperis and appointed counsel.

Appointed counsel requested an in camera hearing for a purpose for relief from appointment. Counsel's original stated reason for relief was a conflict of interest. At the district court's insistence, counsel revealed his knowledge of Heath's financial affairs. Counsel had financial records from Heath indicating a net income in 1994 of $20,740. The Court invited Heath to to explain the discrepancy. Heath answered that his application to proceed in forma pauperis should have reflected an income of $12,800 and that his financial situation was complicated because he is self employed and because he owes back taxes. At the conclusion of the hearing, the court responded that Heath had misled the court, perhaps not fraudulently but definitely with the intent to mislead. The court vacated it's earlier finding that heath was eligible to proceed in forma pauperis and eligible for appointed counsel.

A week later the court issued a written ruling, finding that Heath had indeed committed a fraud on the court by submitting false information on his application to proceed in forma pauperis in violation of 28 Sec. 1915(d). The Court dismissed Heath case with prejudice. Heath filed a Motion for Reconsideration submiting additional documents. His motion was denied. Heath appeals.

There is some question whether we are reviewing a dismissal under the old statute, Sec. 1915(d), or under that statute's recent replacement, Sec. 1915(e)(2). The district court relied on the old Sec. 1915(d). We presume it did so because Heath's case was originally filed while the old version of the statute was stillin effect. The major difference installed by the new statute is to make dismissal mandatory, not discretionary, if the plaintiff's claims are frivolous or the plaintiff files a false affidavit of poverty.

Some of the parties urge us to apply Sec. 1915(e)(2) retroactively while others implore us not to do so. We do not see a nee to discuss at length whether it was proper for the district court to use the old version of the statute. The district court had applied Sec. 1915(e)(2), the only difference would be that dismissal would have been mandatory, not discretionary. Because applying either statute led in this case to the same result, we will not dwell on the propriety of applying the old version rather than the new.

It is not entirely clear what standard of review the court uses to review a dismissal under Sec. 1915(d) for a false allegation of poverty. When a district court dismisses a case under Sec. 1915(d) for frivolousness, we review the

determination for abuse of discretion "[b]ecause the frivolousness determination is a discretionary one." *Denton v. Hernandez* ,504 U.S. 25,33 (1992). Other circuits have applied the abuse of discretion standard to dismissals for false allegations of poverty. See Dawson v. Lennon, 797 F 2d. 934, 935 (11th Cir., 1986) (*per curiam*); Harris v. Cuyler, 664 F.2d 388, 390 (3rd Cir.,1981) There is no need for us to decide this point because Heath's claim fails under either an abuse of discretion or a *de novo* standard.

Heath challenges the dismissal of his case with prejudice for filing a false affidavit of poverty. He argues that his case should have been dismissed without prejudice to allow him to refile and pay the necessary costs. He relies on *Denton* for the proposition that a 1915(d) dismissal is not on the merits(meaning, we think, without prejudice) However, Denton held only that a Sec. 1915(d) dismissal for frivolousness was normally without prejudice, leaving the plaintiff free to refile as a paying party. *Denton* reasoned that litigants without financial means should have the opportunity to have their grievances decided by the courts just like wealthier litigants have a financial incentive not to file frivolous suit, while indigent litigants lack that incentive. Dismissal without prejudice replaces the financial incentive not to file frivolous lawsuits.

We find *Denton* distinguishable Dismissing a case for filing a false affidavit is a sanction for committing a fraud on the court. In contrast, dismissing a case for frivolousness is not necessarily a sanction. A court would not normally dismiss a case *sua sponte* if it were filed by a paying plaintiff. Rather, it would be subject to a motion to dismiss

for failure to state a claim or a motion for summary judgement by the defendant with all the procedural protections normally observed.

In *Smith-Bey v Hospital Adm'r*, 841 F.2d 751,756 (7th Cir., 1988) we noted that Congress was silent in Sec. 1915(d) as to whether dismissals for filing false affidavits of poverty should be with or without prejudice. We extrapolated from that silence that Congress intended to vest the district court with discretion to make that decision. *See Id.* We recently rvisited and reaffirmed *Smith-Bey. In Mathis v. New York Life Ins. Co.*, 133F.3d 546, 547 (7th Cir.), the district court dismissed the plaintiff's case with prejudice under the new Sec. 1915(e)(2) for filing a false affidavit of poverty. Citing *Smith-Bey* with approval, e held again that Congress's silence is best interpreted to leave the decision to the district court whether to dismiss a case with or without prejudice. *See Id.* Contrary to Heath's contentions otherwise, a court has the discretion to dismiss a case with prejudice under 1915(d).

The question remains whether the district court erred in dismissing Heath's case with prejudice. We think not. Heath's financial records do not support a finding that he had a gross or net income of $2016 in 1994. The appication to proceed in forma pauperis clearly does not invite the applicant to subtract living expenses in an attempt to mislead the court.

Heath also argues that his ase should not have been dismissed for filing a false affidavit of poverty without affording him notice of the impending dismissal and an

opportunity to be heard. However, Heath did have an opportunity to be heard. He was present in the *in camera* hearing and was afforded the opportunity to explain the discrepancies in his financial records. He even admitted at the hearing that he should have reported income of over $12,000. We se no inadequacy in the protections afforded Heath here.

Amicus raises due process and equal protection challenges to Sec. 1915. We reject the arguments as without merit.

For the foregoing reasons, the judgement of the district court is AFFIRMED.

*The parties requested a postponement of oral argument in the case. We vacated the order scheduling oral argument for June 5, 1998 and we decide the case on the briefs.

COPY OF BRIEF BY AMICUS CURIAE

UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT
CHICAGO, ILLINOIS 60604

ROGER L. HEATH,
Plaintiff-Appellant, Appeal from the United States District Court for the Northern District of Illinois, Eastern Division. No. 94 C 7812 The Honorable George W.

Lindberg, Judge.

v.

No. 97-1844

GOMER W. WALTERS, VERNON R. LOUKES, JR., NADEEN BERGER, et al. ,
Defendant-Appellees.

BRIEF OF AMICUS CURIAE

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TABLE OF CONTENTS

Table of Contents I
Table of Authorities.....iii
Jurisdictional Statement 1
Statement of Issues 1
Statement of the Case 2
Summary of Argument 5
Argument 7
I. THE DISTRICT COURT IMPROPERLY DENIED MR. HEATH AN OPPORTUNITY TO RESPOND TO THE ALLEGATIONS OF FRAUD BEFORE IMPOSING THE SANCTION OF DISMISSAL WITH PREJUDICE IN VIOLATION OF THE FIFTH AMENDMENT DUE PROCESS CLAUSE. 7

A. The District Court violated Mr. Heath's Due Process Rights by Failing to Give Him Notice of the Proposed Sanction 7

B. The District Court Violated Mr. Heath's Due Process Rights by Failing to Provide a Hearing Before Dismissing His Case with Prejudice. 9

B. Because the in Forma Application Is Vague, Dismissal with Prejudice Was Unfair in Light of Mr. Heath's Good Faith Attempts to Accurately State His Financial Position. 13

II. SECTION 1915(e)(2) MAY NOT BE APPLIED RETROACTIVELY TO MR. HEATH'S CASE. 14

A. The Application of §1915 (E)(2) Would Unfairly Impose New Legal Consequences to past Conduct.....14

B. Congress Intended the Amendment to be Applied Prospectively Only.....17

III. SECTION 1915(E)(2) VIOLATES THE EQUAL PROTECTION CLAUSE BECAUSE IT TREATS IN FORMA PAUPERIS LITIGANTS DIFFERENTLY THAN LITIGANTS NOT

IV. PROCEEDING UNDER THE STATUTE WITHOUT ANY RATIONAL BASIS.....19

IV. THE DISTRICT COURT'S DECISION TO DISMISS MR. HEATH'S COMPLAINT WITH PREJUDICE FOR FILING A FALSE AFFIDAVIT OF POVERTY WAS AN ABUSE OF DISCRETION.....22

A. The Supreme Court's Decision in Denton v. Hernandez Makes Clear That a Dismissal Under §1915 For Filing a False Allegation of Poverty Does Not Preclude a Litigant From Filing a Paid Complaint Making the Same Claims.....22

B. The District Court Abused its Discretion by Imposing the Sanction of Dismissal.....23

1. Construing Mr. Heath's Pro Se Pleadings Liberally, this Court Should Conclude That the District Court's Finding of Fraud Was Erroneous.....24

2. The District Court Applied Erroneous Legal Conclusions in Evaluating Mr. Heath's in Forma Pauperis Application.....26

3. The District Court Improperly Resolved Genuine Issues of Disputed Fact.....27

4. The District Court's decision to dismiss with Prejudice was Improper without Considering Lesser Sanctions.....28

Conclusion 30
Appendix 31

TABLE OF AUTHORITIES

Cases

Alexander S. v. Boyd, 113 F.3d 1373 (4th Cir. 1997), cert. denied, 118 S.Ct. 880 (1998)..... 18
Attwood v. Singletary, 105 F.3d 610 (11th Cir. 1997).....10, 12
Barnhill v. United States, 11 F.3d 1360 (7th Cir. 1993)....12, 29
Camp v. Oliver, 798 F.2d 434 (11th Cir. 1986).....28
Carson v. Johnson, 112 F.3d 818 (5th Cir. 1997).....21
Chambers v. NASCO,Inc., 501 U.S. 32 (1991).....8, 12
Choi v. Chem. Bank, 939 F.Supp. 304 (S.D.N.Y. 1996).....29
Christensen v. Bristol-Meyers Co., 1990 WL 6554 (S.D.N.Y. 1990)28
Cooper v. Casey, 47 F.3d 914 (7th Cir. 1996).....18
Denton v. Hernandez, 504 U.S. 25 (1992).....6, 21-28
English v. Cowell, 10 F.3d 434 (7th Cir. 1993).....12

Giordano v. Powell, 1994 WL 461702 (D.N.H. 1994).....11
Green v. Wyrick, 428 F.Supp. 728 (W.D. Mo. 1976).....11
Harris v. Cuyler, 664 F.2d 388 (3rd Cir. 1981).....10, 13
Hutchinson v. Spink, 126 F.3d 895 (7th Cir. 1997).....15-17
Jensen v. Clarke, 94 F.3d 1191 (8th Cir. 1996)..... 18
Johnson v. Waddell & Reed, Inc., 74 F.3d 147 (7th Cir. 1996)...11
Kapco Mfg Co., Inc. v. C&O Enter, Inc., 886 F.2d 1485 (7th Cir. 1989) 11
Landgraf v. USI Film Prods., 511 U.S. 244 (1994).....15, 16, 18
Lay v. Justices-Middle Dist. Court, 811 F.2d 285 (5th Cir. 1987).....28
Lindh v. Murphy, 117 S.Ct. 2059 (1997).....17, 18
Logan v. Zimmerman Brush Co., 455 U.S. 422 (1982) 8, 9, 13, 14, 19-22

McCoy v. White, 145 F.R.D. 393 (D. Md. 1992).....11
Mathis v. New York life Ins. Co., 133 F.3d 546 (7th Cir. 1998).....15, 22, 23
Mitchell v Farcass, 112 F.3d 1483 (11th Cir. 1997).....21
Roadway Express, Inc. v. Piper, 447 U.S. 752 (1980)..7-10, 12, 13
Roller v. Gunn, 107 F.3d 227 (4th Cir. 1997).....21
Shockley v. Jones, 823 F.2d 1068 (7th Cir. 1987).....12
Societe Internationale Pour Participations Industrielles

Et Commmerciales, S.A. v. Rogers, 357 U.S. 197 (1958).....8, 13
Walker v. Taylorville Correctional Ctr., 129 F.3d 410 (7th Cir. 1997).....15-17
Witherspoon v. Roadway Express Inc., 782 F.Supp. 567 (D. Kan. 1992).....29-30
Zehner v. Trigg, 133 F.3d 459 (7th Cir. 1997).....21

Statutes

28 U.S.C. §1291 (West 1993).....1
28 U.S.C. §1915 (West 1994).....passim
28 U.S.C. §1915(d)(West 1994) 1, 10, 15, 22, 25
28 U.S.C. §1915(e)(2)(West Supp. 1996).....5,14-16, 18, 20-22
28 U.S.C. §§61, 62, 63 (West Supp. 1997).....25
42 U.S.C. §601 (West Supp. 1997).....25
750 ILCS §5/505(a)(3) (West Supp. 1997).....25

Other Authorities

U.S. Const. amend. V 1, 5 7-9, 13, 18, 19
Fed. R. Civ. P. 11 .....5, 11, 19
Fed. R. Civ. P. 12(b)(6) 11, 12
Prison Litigation Reform Act, Pub. L. No. 104-34, 110 Stat. 1321 (April 26, 1996) 17

JURISDICTIONAL STATEMENT

Mr. Heath appeals from the district court's March 18, 1997 order dismissing his complaint with prejudice pursuant to 28 U.S.C. §1915. He presented federal claims such as violations of patent, antitrust and securities laws. He filed his notice of appeal on April 8, 1997. This Court has jurisdiction pursuant to 28 U.S.C. §1291.

STATEMENT OF THE ISSUES

1. Whether the district court improperly denied Mr. Heath notice of and an opportunity to respond to the allegations of fraud before imposing the sanction of dismissal with prejudice in violation of the Fifth Amendment Due Process Clause.

2. Whether 28 U.S.C. § 1915(e)(2) (West Supp. 1996) may be applied retroactively.

3. Whether § 1915(e)(2) violates the Fifth Amendment Equal Protection Clause.

4. Whether the district court properly dismissed Mr. Heath's case with prejudice based on a finding of false affidavit of poverty under § 1915.

STATEMENT OF THE CASE

On December 30, 1994, Mr. Heath filed a pro se complaint in the district court, alleging, inter alia, that certain defendants infringed his patents rights, acquired for his medical inventions. (App. 1)[1]. On this date he applied to proceed in forma pauperis, stating a gross income of $33,000 and a net income of $22,000. (App. 2). On April 25, 1995, Mr. Heath amended his application to proceed in forma pauperis, stating that his average income, net of tax, equaled $2016.17 annually. (App. 3). Shortly thereafter, Mr. Heath filed a statement from his accountant which explained that the amended affidavit reflected changes in his net worth for the twelve months between April 1, 1994 and March 31, 1995. (App. 4).

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[1] References to the record below are to the pages of the attached appendix.

After the court denied his motion for appointment of counsel as moot,(App. 5), Mr. Heath filed a Motion for Reconsideration of Motion for Appointment of Counsel on October 30, 1995, to which he attached documents showing how he arrived at the figure on his affidavit. (App. 6). The court granted his motion. (App. 7). Each of the attorneys subsequently appointed to represent Mr. Heath, with the exception of Mr. Friedman, was dismissed for conflict of interest. (App. 8, 9, 10, 11, 12, 13, 15).

On March 11, 1997 the court conducted an in camera hearing during which Mr. Miller, attorney appointed for Mr. Heath, revealed a conflict of interest. (App. 21, pp. 3-4). After the court had dismissed him as counsel, Mr. Miller proceeded to tell the court he thought there was a discrepancy between Mr. Heath's in forma application and his tax returns. (Id., pp. 8-9). Over Mr. Heath's objections, he presented to the court three documents: Mr. Heath's 1995 tax returns, a letter from Mr. Heath to Mr. Miller's law office in which Mr. Heath listed his average income over the last six years as being $12,800; and a letter from Mr. Enterline to Mr. Heath, stating that his average net income of self employment for the years 1990 to 1995 was $9476[2], and that his self-employment income as reported on his 1995 income tax return, minus his tax obligations, was $13,826. (Id., pp. 10-11; Letter from Mr. Heath; Letter from Mr. Enterline; 1995 Tax Return).

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[2] The difference in the two numbers representing average income for the past six years is that the $12,800 represents average adjusted gross income, whereas the $9476 approximates taxable income. (App. 17, Compare and Contrast Income Document)

After this information was presented, the district court concluded that Mr. Heath was not entitled to proceed in forma pauperis and dismissed Mr. Friedman as counsel. (App. 21, p. 16) The court stated, however, that it did not find Mr. Heath's conduct fraudulent. (Id., pp. 15, 19). Nonetheless, on March 18, 1997, the District Court sua sponte dismissed his complaint with prejudice. (App. 16). Mr. Heath received no prior notice that such a sanction was being proposed, nor was he afforded a hearing to contest the dismissal. (Id.)

Mr. Heath filed a Motion for Reconsideration of Order of Dismissal to which he attached an affidavit of Mr. Enterline explaining again how he arrived at the figure, $2016.17. (App. 17). The court denied Mr. Heath's motion, (App. 18), and on April 10, 1997 he filed this appeal. (App. 19).

SUMMARY OF ARGUMENT

This district court's decision to dismiss Mr. Heath's complaint with prejudice under § 1915 must be reversed as an abuse of discretion. First, the court deprived Mr. Heath of his Fifth Amendment due process rights by failing to give him notice of the allegations against him and of the proposed sanction. Given that the district court chose the most extreme sanction to levy against him, Mr. Heath was entitled to a full evidentiary hearing to present his own evidence and witnesses.

Second, the new provision governing dismissals, §1915(e)(2), may not be applied retroactively because it imposes a new legal consequence to past conduct.

Specifically, because the amendment mandates dismissal, it precludes a court from considering lesser sanctions. Moreover, Congress intended the amendment to be applied prospectively.

Third, in the event this court concludes that the amendment may be applied retroactively, it should nonetheless be struck down as a violation of the Fifth Amendment equal protection clause. Wealthier litigants who need not proceed under §1915(e)(2) enjoy at least the possibility that a court will exercise its discretion in their favor when they are accused of fraud. Fed. R. Civ. Proc. 11(c). Poor litigants have no such chance because dismissal is mandatory under §1915(e)(2). The government's interest in curbing frivolous litigation is not rationally related to this classification.

Fourth, dismissal with prejudice for filing a false affidavit was improper because the determination did not reach the merits of Mr. Heath's claims. Denton v. Hernandez, 504 U.S. 25 (1992). In addition, the court's conclusion that Mr. Heath intentionally committed fraud, cannot stand in light of his repeated disclosures regarding his affidavit. Lastly, dismissal with prejudice was improper because the defendants suffered no prejudice as result of Mr. Heath's filings.

ARGUMENT

I. THE DISTRICT COURT IMPROPERLY DENIED MR. HEATH AN OPPORTUNITY TO RESPOND TO THE ALLEGATIONS OF FRAUD BEFORE IMPOSING THE SANCTION

OF DISMISSAL WITH PREJUDICE IN VIOLATION OF THE FIFTH AMENDMENT DUE PROCESS CLAUSE.

The district, have initially concluded that Mr. Heath did not commit fraud, reversed its finding and sua sponte dismissed his case with prejudice. (App. 16). The court gave him no notice of this sanction prior to the order of dismissal. He had no opportunity to prepare a defense and present it in a full evidentiary hearing. Because dismissal with prejudice is the most extreme sanction, the district court violated Mr. Heath's Fifth Amendment rights by denying him these due process protections. See Roadway Express, Inc. v. Piper, 447 U.S. 752, 767 (1980).

A. The District Court violated Mr. Heath's Due Process Rights by Failing to Give Him Notice of the Proposed Sanctions.

An examination of the record below reveals that the district court failed to give Mr. Heath notice before it rescinded his in forma pauperis status and sanctioned him with dismissal with prejudice. First, Mr. Heath had no notice of the subject matter of the in camera hearing. His attorney, Mr. Miller, filed a motion for relief from appointment of counsel, but did not disclose the basis for seeking withdrawal. (App. 14). Only well into the hearing were the allegations of fraud brought against Mr. Heath. After being dismissed for conflict, Mr. Miller first raised the suggestion that Mr. Heath misrepresented his financial status. (App. 21, p. 8-9).

Despite concluding during the in camera proceeding that Mr. Heath had not committed fraud (Id., pp. 15,19), one week later the District Court increased the sanction against Mr. Heath by sua sponte dismissing his case with prejudice. (App. 16). Again, however, the court gave Mr. Heath no notice prior to the order itself that the court was considering this penalty. (Id.). At no point during the in camera hearing did the court give Mr. Heath any indication that it was considering sanctions. At the conclusion of the hearing, the court, having made no finding of fraud, vacated the finding of in forma pauperis. (App. 21, p. 16). Indeed, the court gave made clear suggestions that Mr. Heath's case would go forward, asking whether he was going to amend his complaint and suggesting he retain counsel. (Id., pp. 16, 20). The lack of notice prior to the sanction violates Mr. Heath's due process rights under the Fifth Amendment. U.S. Const. amend. V.

The Supreme Court has established that a cause of action is a type of property interest protected by the Due Process Clause. Logan v. Zimmerman Brush Co., 455 U.S. 422, 428-29 (1982) (citing Martinez v. California, 444 U.S. 277, 281-82 (1980)). Further, it is well settled that due process requirements apply to sanctions. Chambers v. NASCO, Inc., 501 U.S. 32, 40 (1991); Societe Internationale Pour Participations Industrielles Et Commerciales, S.A. v. Rogers, 357 U.S. 197, 209 (1958). Specifically, the Court has stated that sanctions "should not be assessed lightly or without fair notice and an opportunity for a hearing on the record." Roadway Express, Inc., 447 U.S. at 767 (examining the due process concerns of imposing attorneys' fees pursuant to court's inherent powers). Moreover, because

dismissal with prejudice is the most extreme sanction, it merits the highest due process protections. See Id., n.14; Logan, 455 U.S. at 434. Thus notice was but the minimum process to which Mr. Heath was entitled. Roadway Express, Inc., 447 U.S. at 767.

B. The District Court Violated Mr. Heath's Due Process Rights by Failing to Provide a Hearing Before Imposing its Sanctions.

Once the allegations of fraud were made during the in camera proceeding, Mr. Heath was given no opportunity to prepare or present a defense. The district court made its determination that he was not entitled to proceed in forma pauperis (and therefore dismissing Mr. Friedman as his attorney) during the proceeding itself. (App. 21, p. 16). While Mr. Miller was allowed to present partial financial records of Mr. Heath's, Mr. Heath was not permitted to gather and present his own evidence. (Id., p. 10-11). Instead he was expected to answer to these charges immediately after they were levied. (Id., p. 13-15). Nor was Mr. Heath given an opportunity to cross-examine the witnesses against him. Not only did Mr. Miller state that Mr. Heath misrepresented his income, the court allowed Mr. Rizzi, an attorney from Mr. Miller's office, to present allegations of fraud. (Id., p. 11-13).

Likewise Mr. Heath was improperly denied the opportunity to prepare a defense and respond to the charges before the court, concluding that "[h]e perpetrated a fraud on the court," dismissed his case with prejudice. (App. 16). He

was afforded no evidentiary hearing to contest the Court's findings and the propriety of the sanction. He had no chance to present additional financial records, to put into context the records presented by his former attorney, or to have his accountant, Mr. Enterline, explain the accounting method he used in preparing the affidavit. Considerations of fairness and due process dictate that he was entitled adequate time to prepare a defense and an opportunity to present it. Roadway Express, Inc., 447 U.S. at 767.

Two circuits have indicated that notice, opportunity to respond, and a hearing are required before a district court may impose the sanction of dismissal with prejudice under §1915. Attwood v. Singletary, 105 F.3d 610, 613 (11th Cir. 1997); Harris v. Cuyler, 664 F.2d 388, 390 (3rd Cir. 1981). Citing Rogers, 357 U.S. at 209, the Third Circuit vacated the district court's decision to dismiss with prejudice because the plaintiff, while allowed to file a motion in opposition to the defendant's motion to dismiss, was not afforded a hearing in which to explain the circumstances of the filing of the affidavit of poverty. Harris, 664 F.2d at 390. In Attwood, 105 F.3d at 613, the court dismissed plaintiff's claim with prejudice under Rule 11 as well as 1915(d), rejecting plaintiff's claim that he was denied a hearing because he had been afforded one on this issue in a separate suit. Further, some courts, without directly addressing procedural implications of dismissal under §1915, have nonetheless afforded the plaintiff an evidentiary hearing. See e.g., Giordano v. Powell, 1994 WL 461702, p. 1 (D.N.H. 1994); McCoy v. White, 145 F.R.D. 393, 394 (W.D. Mo. 1992); Green v. Wyrick, 428 F.Supp. 728, 730 (W.D. Mo. 1976). Mr. Heath, however was not even given the opportunity to

respond with a brief or in oral argument before the court dismissed his complaint. (App. 16).

Although the 7th Circuit has not confronted the due process question with respect to §1915, in judicial proceedings which may be analogized to dismissal under this statute--sanctions under Rule 11 and dismissal under Rule 12(b)(6)--the requirements of notice and opportunity to respond are the minimum guarantees.

Rule 11 requires that a sua sponte action by the district court concerning the imposition of sanctions include notice and an opportunity to respond. Fed. R. Civ. P. 11(c). This formality is intended to ensure due process. Johnson v. Waddell & Reed, Inc., 74 F.3d 147 (7th Cir. 1996). Moreover, a hearing is required when it would assist the court in making its decision whether to impose Rule 11 sanctions. Kapco Mfg. Co., Inc. v. C&O Enter., Inc., 886 F.2d 1485, 1495 (7th Cir. 1989) (reviewing sanction of attorneys' fees). The value of a hearing in this case would have been particularly high given the complexity of Mr. Heath's financial information. Perhaps it would have prevented the district court's misunderstanding with respect to Mr. Heath's affidavit. (App. 16). Dismissal with prejudice, a sanction the 7th Circuit has labeled "draconian," Barnhill v. United States, 11 F.3d 1360, 1367 (7th Circuit 1993) (citing Marrocco v. General Motors Corp., 966 F.2d 220, 223 (7th Cir. 1992)), surely merits the procedural protection of a hearing.

Similarly, under Federal Rule of Civil Procedure 12(b)(6), sua sponte dismissal without notice and a hearing is

improper, precisely because the result of this action is to permanently deny the plaintiff his or her day in court. Shockley v. Jones, 823 F.2d 1068, 1073 (7th Cir. 1987); English v. Cowell, 10 F.3d 434, 437 (7th Cir. 1993). There is no reason why petitions for in forma pauperis should receive less procedural protections when the sanction is dismissal with prejudice. Harris, 664 F.2d at 390; Attwood, 105 F.3d at 613. Because the district court failed to provide a hearing, the decision to dismiss Mr. Heath's complaint with prejudice must be reversed. Roadway Express, Inc., 447 U.S. at 767; see also Chambers, 501 U.S. at 40 (approving sanctions of attorney's fees for fraud perpetrated on the court because they were imposed only after full briefing and a hearing).

The violation of Mr. Heath's due process rights was not rectified by the opportunity to present a Motion for Reconsideration of the Order of Dismissal. (App. 17). Without affording Mr. Heath a hearing on his motion, the court summarily denied it. (App. 19). However, when a court seeks to permanently deprive a litigant the opportunity to have his or her claim heard on the merits, due process concerns dictate that a hearing must be given prior to the imposition of this sanction. See Roadway Express, Inc., 447 U.S. at 767; Harris, 664 F.2d at 390.

C. Because the in Forma Application Is Vague, Dismissal with Prejudice Was Unfair in Light of Mr. Heath's Good Faith Attempts to Accurately State His Financial Position.

The district court dismissed Mr. Heath's action with prejudice, despite his good faith attempts to comply with the rules governing in forma pauperis applications. (App. 16). Mr. Heath repeatedly explained to the court how he arrived at the figure on his April 25, 1995 affidavit. (App. 3, 4, 6). However, the vaguely-worded questions on the affidavit preclude one from knowing precisely how income should be stated. See discussion infra at p. Thus, to sanction Mr. Heath with a final deprivation of his right to be heard for his inability to comply is an infringement of his due process rights. See Logan, 455 U.S. at 434-35; Rogers, 357 U.S. at 210.

Due process rights are infringed when a litigant is denied access to the court as a penalty, despite a good faith effort to comply with procedural rules. See Logan, 455 U.S. at 434-35; Rogers, 357 U.S. at 210. In Rogers, the Court applied due process scrutiny to a Rule 37 sanction. Rogers, 357 U.S. at 210. The Court was troubled by the unfairness of dismissing an action because of a plaintiff's inability, despite good faith efforts, to comply with the rule. Id. at 210. Reversing the lower court's decision to strike plaintiff's complaint for failure to comply with a discovery order, the Court stated that "there are constitutional limits upon the power of the courts . . . to dismiss an action without affording the party the opportunity for a hearing on the merits of his cause." Id. at 209. In Logan, the Court found that the due process rights of a litigant proceeding under the Illinois Fair Employment Practices Act had been violated when his claim was dismissed due to the Commission's failure to convene a fact finding conference within the 120 days mandated by the Act. Id. at 434-35.

Similarly, the district court's decision to dismiss this case with prejudice is manifestly unfair given the ambiguity of the in forma pauperis application and Mr. Heath's repeated attempts to disclose the basis of his affidavit. (App. 3, 4, 6).

II. SECTION 1915(E)(2) MAY NOT BE APPLIED RETROACTIVELY TO MR. HEATH'S CASE.

The new provision governing dismissals, §1915(e)(2), may not be applied retroactively because it mandates dismissal upon a finding of fraud. The legal consequence of the amendment is to preclude the court from considering lesser sanctions, thus unfairly disturbing a litigants expectations that a court may employ its discretion favorably. In addition, Congress intended the amendment to be applied prospectively only.

A. The Application of §1915 (E)(2) Would Unfairly Impose New Legal Consequences to past Conduct.

Section §1915(2)(e) provides that the court shall dismiss the case at any time if the court determines that--

(A)the allegation of poverty is untrue

(B) the action or appeal--

(I) is frivolous or malicious

(ii) fails to state a claim on which relief may be granted; or

(iii) seeks monetary relief against a defendant who is immune from such relief.

U.S.C.A. §1915 (e)(2) (West Supp. 1996)(emphasis added).

Prior to this amendment, the statute provided that a court "may dismiss the case if the allegation of poverty is untrue, or if satisfied that the action is frivolous or malicious." U.S.C.A. §1915(d) (West 1994) (emphasis added). Thus dismissal is now mandatory rather than discretionary. Mathis v. New York Life Ins. Co, 133 F.3d 546, 547 (7th Cir. 1998); Hutchinson v. Spink, 126 F.3d 895, 899 (7th Cir. 1997). Mr. Heath filed his case on December 30, 1994 (App. 1). Because his action was pending when the Prison Litigation Reform Act ("PLRA") took effect on April 26, 1996, this Court should conclude that §1915(e)(2) is not applicable. Hutchinson, 126 F.3d at 899; Walker v. Taylorville Correctional Ctr., 129 F.3d 410, 412 (7th Cir. 1997).[3]

"The presumption against retroactive legislation is deeply rooted in our jurisprudence." Landgraf v. USI Film Prods., 511 U.S. 244, 265 (1994). The concern embodied in this principle is that the legislature should not be allowed to disturb settled expectations without individualized consideration. Id. at 266. In deciding whether statutory amendments may be applied to pending cases, a court must first determine whether Congress has expressly stated that the statute may have retroactive effect. Landgraf, 511 U.S.

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[3] Although the 7th Circuit in its most recent decision appears to have applied the PLRA to a case brought before the Act's effective date, it did so without addressing retroactivity concerns. Mathis, 133 F.3d at 546.

at 264. Section 1915 (e)(2) evinces no clear intent of retroactive application.

Therefore, this court must determine whether application of the amendment would have an impermissible retroactive effect, i.e., whether it attaches new legal consequences to events completed before its enactment. Id. at 269-70. In Landgraf, the court held that §102 of the 1991 Civil Rights Act, creating a right to recover compensatory and punitive damages for intentional employment discrimination could not be applied retroactively because it imposed a new legal burden to past conduct. Id. at 283.

The amendment to §1915 has precisely the same effect on the substantive rights of in forma pauperis litigants because it imposes a penalty of mandatory dismissal, the legal consequence of which is to preclude the court from considering lesser sanctions. §1915(e)(2). Even if this court were to characterize the change as procedural, §1915(e)(2) is not exempt from a retroactivity analysis. Landgraf, 511 U.S. at 275, n.29. While it is true that a litigant proceeding in forma pauperis faced possible dismissal prior to the amendment, he or she enjoyed at least the possibility that a court would exercise its discretion in favor of lesser sanctions, or even no sanction. Section 1915(e)(2) unfairly upsets this expectation by imposing one sanction--mandatory dismissal.

The 7th Circuit's position with respect to whether §1915(e)(2) may be applied retroactively is in accord with Landgraf. In Hutchinson and Walker, the court properly concluded that the more liberal pre-amendment legal standard by which a case would be scrutinized for

frivolousness would apply to pending cases, rather than the Federal Rule of Civil Procedure 12(b)(6) standard set out in the amendment. Walker, 129 F.3d at 412; Hutchinson, 126 F.3d at 899.

B. Congress Intended the Amendment to be Applied Prospectively Only.

When the drafters of the Prison Litigation Reform Act intended for a particular provision of the legislation to be applied retroactively, they stated as much explicitly. Section 802 of the PLRA (codified as 18 U.S.C. 3626), dealing with prison conditions remedies, expressly provides that it shall be applied retroactively, whereas the remaining sections are silent in this respect. 18 U.S.C. 3626 (West Supp. 1996). By implication, therefore, the other provisions should have no retroactive application. See Lindh v. Murphy, 117 S.Ct. 2059, 2063 (1997) (holding that §107c of the Antiterrorism and Effective Death Penalty Act, expressly applying chapter 154 retroactively, indicated implicitly that amendments to chapter 153 could not be applied retroactively). The 8th Circuit concluded as much with respect to the §803 of the PLRA, amending the Civil Rights Of Institutionalized Persons Act (42 U.S.C. 1997), stating that "[t]he exclusion of 803 and its fee provisions from that clear statement of retroactivity is inconsistent with defendant's argument for retroactivity." Jensen v. Clarke, 94 F.3d 1191, 1203 (8th Cir. 1996). But the Fourth Circuit disagreed. In Alexander S. v. Boyd, 113 F.3d 1373 (4th Cir. 1997) the court declined to draw any negative inferences from the express inclusion of a provision making § 802 applicable to pending cases and the absence of the same from §803, citing Landgraf, 511 U.S. at

259-61. Significantly, this conclusion was adopted by only one of the three judges in the decision. Alexander S., 113 F.3d at 1392-96 (Motz, J. concurring and Murnaghan, J., dissenting). Moreover, the 7th Circuit agrees with Jensen that to give §803 retroactive effect would attach new legal consequences to completed conduct. Cooper v. Casey, 97 F.3d 914, 921 (7th Cir. 1996).

The Supreme Court in Landgraf refused to infer that because Congress provided specifically for prospectivity in two provisions it intended the opposite for the remainder of the Civil Rights Act of 1991. Id. at 258-59. However, the Court's conclusion was grounded in the presumption that new legislation is to be applied prospectively absent a clear congressional intent to the contrary. Id. at 272. Indeed, this presumption supports the inference that by making only one provision of the PLRA retroactive, Congress intended the others to be applied prospective only. See Lindh, 117 S.Ct. at 2063.

III. SECTION 1915(E)(2) VIOLATES THE EQUAL PROTECTION CLAUSE BECAUSE IT TREATS IN FORMA PAUPERIS LITIGANTS DIFFERENTLY THAN LITIGANTS NOT PROCEEDING UNDER THE STATUTE WITHOUT ANY RATIONAL BASIS.

In the event this court concludes that §1915(e)(2) has no impermissible retroactive effect, the amendment should nonetheless be struck down as violative of the Fifth Amendment Equal Protection Clause. U.S. Const. amend. V.

A classification which subjects litigants to disparate treatment for alleged misconduct based on their respective financial status is arbitrary and thereby violative of the Equal Protection Clause. Cf. Logan, 455 U.S. at 442-443. Section 1915(e)(2) of the PLRA suffers from this infirmity.

Litigants proceeding in forma pauperis face mandatory dismissal if the court finds that their allegation of poverty is untrue. § 1915(e)(2). Litigants who, because they have sufficient financial resources, do not proceed under the in forma pauperis statute face possible sanctions under Federal Rule of Civil Procedure 11 for filing false statements with the court. Fed. R. Civ. Proc. 11(c). However, under Rule 11, a court has discretion whether to impose sanctions for such misconduct. Id. Thus, persons otherwise similarly situated with respect to allegations of misconduct are treated differently based on financial status, regardless of the merits of the claim. Litigants who do not proceed under the statute enjoy at least the possibility that a court will exercise its discretion in their favor. Fed. R. Civ. Proc. 11(c). Poor litigants have no such chance. §1915(e)(2). There can no rational basis for this distinction.

In order to withstand equal protection scrutiny, legislation which creates a nonsuspect classificatory scheme "must rationally advanc[e] a reasonable and identifiable government objective." Logan, 455 U.S. at 439 (Blackmun, J. concurring) (quoting Schweiker v. Wilson, 450 U.S. 221, 235 (1981)). In Logan, a discharged employee brought a claim alleging employment discrimination under the Illinois Fair Employment Practices Act. Id. at 422 The Illinois Supreme Court barred his claim, however, because the

Commission had failed to convene a fact finding conference with the 120 days mandated by the Act. Id. The Supreme Court reversed on the grounds that the employee's due process rights had been violated. Id. at 434-35. Six Justices in two concurring opinions, however, found additionally that the classification created by the Illinois Supreme Court's decision--between litigants whose claims are processed within 120 days and those whose claims the Commission failed to process with that time--failed equal protection scrutiny because it drew an arbitrary line between otherwise identical claims. Id. at 440, 444. Section 1915(e)(2) likewise creates an arbitrary classification without any rational basis.

The legislature's objective in passing the PLRA was to curb frivolous prisoner lawsuits. 141 Cong. Rec. S7524 (May 25, 1995) (Senator Dole introducing the PLRA in response to the growth in the number of lawsuits filed by prisoners). Based on this rationale, the Fifth Circuit upheld in the face of an equal protection challenge a provision of the PLRA which prohibits a prisoner from proceeding in forma pauperis if he has had more than three actions or appeals dismissed for frivolousness. Carson v. Johnson, 112 F.3d 818, 822 (5th Cir. 1997). Similarly, other circuits have upheld on this basis the provision of the PLRA which requires prisoners to prepay filing fees, but not other litigants proceeding under § 1915. See e.g., Mitchell v. Farcass, 112 F.3d 1483, 1488-89 (11th Cir. 1997). The Seventh Circuit applied this reasoning in upholding the provision of the PLRA which precludes recovery for custodial mental or emotional damages without a prior showing of physical injury. Zehner v. Trigg, 133 F.3d 459, 463 (7th Cir. 1997).

However, such rationale cannot justify the distinction §1915(e)(2) implicitly draws between poor and non-poor litigants. The disparate treatment of prisoners was justified because they have "abused the judicial system in a manner that *non-prisoners* simply have not." Carson, 112 F.3d at 822 (emphasis added); see also Roller v. Gunn, 107 F.3d 227, 234 (4th Cir. 1997) (noting that prisoners have more free time than do other litigants to file suits).[4]

However, there has been no claim that poor litigants abuse the judicial process more so than do wealthier litigants. Nor can one argue that litigants subject to Rule 11 sanctions are any less likely to make untrue statements to courts than are less wealthy litigants proceeding under §1915.

Thus the legislation is both over inclusive in that it regulates non-prisoners, and under inclusive because it fails to apply the same discipline to litigants who do not proceed in forma pauperis. Such irrationality cannot withstand equal protection scrutiny. Logan, 455 U.S. at 439.

III. THE DISTRICT COURT'S DECISION TO DISMISS MR. HEATH'S COMPLAINT WITH PREJUDICE FOR FILING A FALSE AFFIDAVIT OF POVERTY WAS AN ABUSE OF DISCRETION.

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[4] Mr. Heath is not a prisoner, nor does he have a history of abusing the judicial process. The two other lawsuits he filed were not found to be frivolous. (Heath v. Zoll, Case No. 94-C-7803, App. 20; Heath v. Valleylab, Case No. 94-C-7815, App. 20).

The Supreme Court's decision in Denton v. Hernandez, 504 U.S. 25, 34 (1992) precludes a court from dismissing a complaint with prejudice under § 1915 for filing a false affidavit of poverty. However, even a dismissal without prejudice would be an abuse of discretion as applied to Mr. Heath's case because the district court's finding of fraud was erroneous.

A. The Supreme Court's Decision in Denton v. Hernandez Makes Clear That a Dismissal Under §1915 For Filing a False Allegation of Poverty Does Not Preclude a Litigant From Filing a Paid Complaint Making the Same Claims.

Section 1915 fails to specify whether dismissal for filing a false affidavit of poverty may be with prejudice. § 1915(d) (West 1994); § 1915(e)(2) (West 1996).

In Denton, however, the Supreme Court held that "[b]ecause a § 1915(d) dismissal is not a dismissal on the merits, but rather an exercise of the court's discretion under the in forma pauperis statute, the dismissal does not prejudice the filing of a paid complaint making the same allegations." Denton, 504 U.S. at 34. In reviewing a determination of frivolousness, the Court wrote that a dismissal may have res judicata effect on *frivolousness* determinations for future *in forma pauperis petitions*. Id. (emphasis added). Thus, only determinations of frivolousness may result in dismissal with prejudice. See Id. Because a district court's determination that the allegation of

poverty is untrue is not a decision on the merits, a litigant may not be precluded from filing a paid complaint. See Id.

The 7th Circuit's opinion in Mathis is merely dicta and therefore does not contradict Denton. Mathis, 133 F.3d 547. Although the court affirmed the lower court's decision to dismiss with prejudice under §1915, it presented an alternative holding, namely that the appellant presented no legal argument. Id. In addition, the court stated that Denton provides that dismissal with prejudice on the grounds of *frivolousness* may be possible. Id. at 548 (emphasis added). Thus, Mathis cannot be read to undermine Denton's directive that dismissal with prejudice is not allowed unless the court had addressed the merits. Denton, 504 U.S. at 34.

B. The District Court Abused its Discretion by Imposing the Sanction of Dismissal.

In reviewing a §1915 dismissal for abuse of discretion, the Supreme Court has suggested several factors for a court of appeals to consider: whether the plaintiff was proceeding pro se, whether the court applied erroneous legal conclusions, whether the court inappropriately resolved genuine issues of disputed fact, and whether dismissal was with or without prejudice. Denton, 504 U.S. at 34. Although the Court was addressing a dismissal for frivolousness in Denton[5], the interest served by the analysis

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[5] Amicus does not concede that dismissal with prejudice is permissible for filing a false affidavit of poverty. See discussion supra at p. 22-23.

applies equally to dismissals for a false affidavit of poverty--namely to ensure that the lower court has not prematurely truncated a litigant's opportunity to be heard on the merits. See id.

1. Construing Mr. Heath's Pro Se Pleadings Liberally, this Court Should Conclude That the District Court's Finding of Fraud Was Erroneous.

First, because Mr. Heath was pro se at the time he filed his in forma pauperis petitions (App. 2, 3), his pleadings should be construed liberally. Id. (citing Haines v. Kerner, 404 U.S. 519 (1972). In light of Mr. Heath's good faith attempt to most accurately represent his financial status, the district court's finding of fraud cannot stand. (App. 3, 4, 6).

The court wrongly concluded that Mr. Heath intended to deceive the court by reporting his income on the affidavit of poverty as "net of tax," when he had actually subtracted personal expenses as well. (App. 16). While Mr. Heath mistakenly labeled his income as "net of tax," he was forthright in providing the court documents which showed that the $2016.17 took into account personal expenditures. (App 4, Statement of Net Worth). Indeed, Mr. Heath disclosed the basis of the figure reported on his April 25, 1995 affidavit to the court on two occasions prior to the in camera proceeding. (Id.; App. 6, Affidavit of Mr. Enterline).

Moreover, Mr. Heath should not be penalized with such a drastic sanction given that the affidavit gives no clear

guidelines on how to report income. Question 1 requests applicants to "state the amount of your salary or wages per month . . . (list both gross and net salary)." (App. 3). However, nowhere are the terms "gross" and net salary" defined. A Survey of various legislation reveals that definitions of income are by no means uniform. See e.g., 26 U.S.C. §§ 61, 62, 63 (West Supp. 1997)(Internal Revenue Code defining gross, adjusted gross and taxable income respectively); 42 U.S.C. §602 (setting out income eligibility standards under the Aid to Families with Dependent Children Act); 750 ILCS §5/505(a)(2) (West 1997) (Illinois Marriage and Dissolution of Marriage Act defining net income); The language of §1915 stating that a court may dismiss "if the allegation of poverty is untrue" suggests that an assessment of the litigants overall financial position is needed. See §1915(d). Likewise, the affidavit itself requires the applicant to swear that, because of his poverty, he is unable to pay the costs of the proceeding and give security therefor, implying that the court is seeking to determine the funds a litigant has available to devote toward filing fees and legal expenses. (App. 3).

Absent a definition of "gross and net salary," Mr. Heath was not unreasonable in deducting all of the expenses which reduced the amount he had available to pay an attorney. (App. 4, Statement of Changes in Net Worth). Because of business and personal expenses and a federal tax lien, he was left with only a small amount of money with which to pay legal expenses. (Id.). Even if the district court disagreed with Mr. Heath's interpretation, however, it was an abuse of discretion to impose the most severe sanction for his mistake. (App. 16).

2. The District Court Applied Erroneous Legal Conclusions in Evaluating Mr. Heath's in Forma Pauperis Application.

The second factor under Denton asks whether the district court applied erroneous legal conclusions. Denton, 504 U.S. at 34 Here, the district court's finding of fraud was based on an erroneous interpretation of the in forma pauperis application. (App. 16). First, the court wrongly concluded that Mr. Heath was required to report his gross income for the calendar year 1994. (Id.). The court also unfairly considered Mr. Heath's income from the previous two years. (Id.). While Question 1 on the application does not specify a reporting period, Question 2 specifically asks for the amounts from self-employment from the preceding twelve months. (App. 3). Because Mr. Heath's income was derived almost entirely from self-employment, the relevant reporting period was the twelve months preceding his application--April 1, 1994 to March 31, 1995. (Id., Affidavit of Mr. Enterline). Moreover, the application does not preclude an applicant from amending his affidavit to reflect changes in financial status.

3. The District Court Improperly Resolved Genuine Issues of Disputed Fact.

Applying the third factor, this court should find that the district court inappropriately resolved genuine issues of disputed fact. Denton, 504 U.S. at 34. During the in camera proceeding, Mr. Heath sought to raise a dispute regarding the allegations of fraud. (App. 21, pp. 13-15). However he was

prevented from doing so because the district court denied him the opportunity to present evidence, explain the basis of his affidavit, or rebut Mr. Miller's allegations. (See due process discussion supra at pp. 7-13). As a result, the district court prematurely resolved genuine issues of disputed fact. (App. 21, p. 15).

A consequence of this inadequate procedure was the district court's faulty conclusion that the figure reported on Mr. Heath's affidavit represented his average income for the past six years. (App. 16). Mr. Heath amended his affidavit on April 25, 1995 in response to a change in his net worth at that time due to a drop in income and a tax lien for which he became liable in March 1995. (App. 3, Affidavit of Mr. Enterline; App. 4, Statement of Changes in Net Worth; App. 17, Notice of Federal Tax Lien, Support Schedule, Affidavit of Ms. Smith). In addition, he took into account personal expenditures in arriving at the figure $2016.17. (App. 4, Statement of Changes in Net Worth) Contrary to the district court's conclusion, however, this figure did not represent Mr. Heath's average income over the past six years (App. 16), but was based on his realized change in net worth for the period of April 1, 1994 to March 31, 1995. (App. 4, Statement of Changes in Net Worth). These errors support a finding that the district court abused its discretion in dismissing Mr. Heath's case. Denton, 504 U.S. at 34.

4. The District Court's decision to Dismiss With Prejudice was Improper without Considering Lesser Sanctions.

The final factor this court should consider in reviewing the district court's order is that dismissal was imposed with prejudice. Denton, 504 U.S. 34. While the district court has the discretion to dismiss a claim under the in forma pauperis statute, it may not prevent the litigant from filing a paid complaint. See Id. Thus, the court's order barring Mr. Heath from litigating his claim altogether must be reversed as an abuse of discretion. Id.

However, even if dismissal with prejudice were not precluded by Denton, because it is a harsh, disfavored remedy, the district court should have considered lesser sanctions. See Lay v. Justices-Middle District Court, 811 F.2d 285 (5th Cir. 1987)(requiring district court to instruct plaintiff to pay filing fees before imposing dismissal with prejudice for filing false affidavit of poverty); Camp v. Oliver, 798 F.2d 434, 438 (11th Cir. 1986) (same); Christensen v. Bristol-Meyers Co., 1990 WL 6554, p. 2-3 (requiring plaintiff to pay filing costs or risk dismissal, and to pay her pro bono attorneys for services rendered).

In other contexts, the 7th Circuit has called dismissal with prejudice a "draconian" sanction which "must be infrequently resorted to by district courts." Barnhill v. United States, 11 F.3d 1360, 1367 (7th Cir. 1993). In Barnhill, the court reversed a dismissal with prejudice for attorney misconduct, noting that this sanction should be imposed only in extreme cases or when other less drastic sanctions have proven unavailing. Id. (internal citations omitted). This court further stated that dismissal should not be invoked without first considering what effect, if any, the challenged conduct has had on the litigation. Id. at 1368.

There is no reason why a more stringent rule regarding dismissals with prejudice should apply to petitions for in forma pauperis. In the instant case, the alleged financial misstatements had no effect on the litigation. Although the court appointed several attorneys, with the exception of Mr. Friedman, all were dismissed for conflict of interest and none of them filed a substantive pleading on behalf of Mr. Heath. (App. 8, 9, 10, 11, 12, 13, 15). Because defendant-appellees suffered no prejudice as a result of Mr. Heath's affidavit, dismissal with prejudice was too harsh a sanction. See Choi v. Chem. Bank, 939 F.Supp. 304, 309 (S.D.N.Y. 1996) (declining to dismiss despite finding of intentional filing of a false affidavit of poverty since the defendant was not prejudiced by the financial misrepresentations); Witherspoon v. Roadway Express, 782 F.Supp. 567, 570 (D. Kan. 1992) (holding that although plaintiff's answers on application were outrageous and patently false, he obtained no advantage in the case other than not having to pay required court costs for bringing the action).

CONCLUSION

For the reasons stated above, Amicus Curiae respectfully requests this court to reverse the district court's order dismissing Mr. Heath's complaint with prejudice.

Respectfully submitted,

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Appendix

Table of Contents

Docket No. 1 12/30/94 Complaint App. 1

Docket No. 2 12/30/94 Application to Proceed In Forma Paupers App. 2

Docket No. 109 4/25/95 Amended Application to Proceed In Forma Paupers App. 3

Docket No. 107 4/28/95 In Re Motion of Plaintiff For Appointment of Counsel, Statement Of Changes in Net Worth App. 4

Docket No. 174 8/30/95 Order Denying Motion for Appointment Of Counsel App. 5

Docket No. 198 10/30/95 Motion for Reconsideration of Motion For Appointment of Counsel App. 6

Docket No. 217 3/19/96 Order Granting Motion for Appointment Of Counsel App. 7

Docket No. 218 3/25/96 Order Dismissing Counsel for Conflict App. 8

Docket No. 219	4/23/96 Order Dismissing Counsel for Conflict App. 9
Docket No. 224	5/7/96 Order Dismissing Counsel for Conflict App. 10
Docket No. 226	5/17/96 Order Dismissing Counsel for Conflict App. 11
Docket No. 231	1/17/97 Order Dismissing Counsel for Conflict App. 12
Docket No. 234	1/27/97 Order Dismissing Counsel for Conflict App. 13
Docket No. 236	2/18/97 Motion of Mr. Miller's for Relief From Appointment App. 14
Docket No. 238	3/11/97 Order Granting Mr. Miller's Relief from Appointment, Denying Plaintiff's Application to Proceed In Forma Pauperis App. 15
Docket No. 239	3/8/97 Memorandum and Order Dismissing Complaint with Prejudice, Letter from Mr. Enterline, Letter from Mr. Heath, 1995 Tax Returns (all formerly sealed as Part of In Camera Proceeding) App. 16

Docket No. 244	4/10/97 Motion for Reconsideration of The Order of Dismissal, Compare and Contrast Income Document, Notice of Federal Tax Lien, Support Schedule, Affidavit of Ms. Smith App. 17
Docket No. 249	4/9/97 Order Denying Motion for Reconsideration App. 18
Docket No. 242	4/9/97 Notice of Appeal App. 19
Docket No. 34	Order Dismissing Heath v. Zoll, 94C7803, Order Dismissing Heath v. Valleylabs, 94C7815 App. 20 Transcript from In Camera Proceeding, March 11, 1997 App.21

COPY OF AMICUS CURIAE REPLY BRIEF

UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT
CHICAGO, ILLINOIS 60604

ROGER L. HEATH,
Plaintiff-Appellant,

Appeal from the United States District Court No. 97-1844
for the Northern District of Illinois, Eastern Division.
No. 94 C 7812
The Honorable George W. Lindberg, Judge.

v.

GOMER W. WALTERS, VERNON R. LOUKES, JR., NADEEN BERGER, et al. , *Defendant-Appellees.*

REPLY BRIEF OF AMICUS CURIAE

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1. ARGUMENT
THE DISTRICT COURT IMPROPERLY IMPOSED SANCTIONS WITHOUT AFFORDING MR. HEATH ADEQUATE NOTICE OR AN EVIDENTIARY HEARING.

It is unfair to award the defendants in this case a windfall by dismissing Mr. Heath's case without requiring them to answer his charges. Defendants, who did not even raise the in forma pauperis issue themselves, should not be able to reap the benefits of a judicial determination made in violation of Mr. Heath's rights. Defendants have failed to show why litigants proceeding in forma pauperis, such as Mr. Heath, are entitled to less procedural safeguards than nonindigent litigants. In this case, the notice Mr. Heath did not receive any notice that sanctions were to be considered at the in camera proceedings. All notice Mr. Heath received was the motion that his court appointed attorney was presenting a motion to withdraw as attorney because of a conflict of interest with another attorney's client. The record reveals no notice prior to the court's revocation of in forma pauperis status. Likewise, Mr. Heath received no notice prior to the court's sua sponte sanction of dismissal with prejudice. He was not even allowed to file a brief or submit evidence. Defendants do not dispute these facts. Because Mr. Heath was unaware of the court's intention, he had no opportunity to defend himself prior to being sanctioned. Further, the in camera hearing does not constitute a meaningful opportunity to be heard, as it allowed Mr. Heath no reasonable time to prepare a defense. Appellee argue that the IFP statute gives enough notice. This argument is silly,

even alleged murderers get a notice and hearing before they are found guilty and sentenced even though Illinois statutes clearly prohibits murder. For the reasons set forth below, this "process" was inadequate.

United States Supreme Court Cases Require That In Forma Pauperis Litigants Be Given Procedural Safeguards Similar And Equal To Those Afforded Nonindigent Litigants

The Supreme Court has stated that litigants proceeding in forma pauperis must be afforded equal treatment with nonindigent litigants. Neitzke v. Williams, 490 U.S. 319, 329-30 (1989) (stating that the goal of §1915 is "to assure the equality of consideration for all litigants") (quoting Coppedge v. United States, 369 U.S. 438, 447 (1962)). Consistent with this principle, litigants should not be denied due process protections simply because they are proceeding in forma pauperis. See Neitzke, 490 U.S. at 330. Indeed, because the "process" employed by the district court was not equivalent with that afforded similarly-situated richer litigants not proceeding under the in forma pauperis, it violated Mr. Heath's rights.

The Supreme Court in Nietzke rejected an interpretation of §1915(d) that would have afforded disparate procedural protections to indigent plaintiffs. 490 U.S. at 330. In holding that a complaint is not necessarily frivolous so as to warrant sua sponte dismissal because it fails to state a claim, the Court said, "[t]o conflate the standards . . . would thus deny indigent plaintiffs the practical protections against unwarranted dismissal generally accorded paying plaintiffs under the Federal Rules. . . Given Congress' goal

of putting indigent plaintiffs on similar footing with paying plaintiffs, [such an] interpretation cannot reasonably be sustained."[6] Id. Thus, the Court's analysis limits a court's ability to dispose of in forma pauperis litigation without adequate procedural protections commensurate with those afforded paying plaintiffs. Id.

In order to withstand equal protection scrutiny, legislation which creates a non-suspect classificatory scheme "must rationally advanc[e] a reasonable and identifiable government objective." Logan v. Zimmerman Brush Co., (1982) 422 U.S. at 439 (Blackmun, J. concurring) (quoting Schweiker v. Wilson, 450 U.S. 221, 235 (1981)). Defendants have failed to provide a rationale that justifies affording indigents less process than nonindigent litigants sanctioned under Rule 11. Both poor and non-poor litigants face the sanction of dismissal for committing a fraud on the court. Fed. R. Civ. P. 11(c); §1915(d). However, non-indigent are afforded a hearing and an opportunity to respond before a determination of fraud is ever made. Fed. R. Civ. P. 11(c). This disparate treatment in procedure is unwarranted. See Nietzke 490 U.S. at 329-30.

Defendants Baxter, Walters, Townser, et al. ("defendant Baxter") rely on Harris v. Cuyler to argue that disparate treatment is justified. (Def. Baxter Resp. at 12). In

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[6]Amicus Curiae recognizes that the amended statute now provides for 12(b)(6) dismissals. §1915(e)(2). However, given the concerns articulated by the Court in Nietzke, the procedural protections accompanying such a dismissal would be merited. Id.

the quote cited by defendants, the court states, "[t]he fact that Congress expressly provided for dismissal for frivolous claims, notwithstanding the already extant Fed. R. Civ. P. 12(b)(6) which covers similar ground, reinforces our view that Congress sought in section 1915(d) to accommodate two interests. On one hand, it sought to achieve the laudable goal of making the judicial process available for those without means; on the other hand, it sought to minimize the burden on the courts by those litigants who misuse the opportunity afforded." Harris, 664 F.2d at 389-90.

Although, the court concludes by saying dismissal with prejudice is permitted, these statements in no way imply that indigents are entitled to less procedural protection when facing a dismissal for filing a false affidavit of poverty. Id.

Further, the potential problem of fraudulent invocation of the statute's benefits[7] does not justify eschewing due process rights. Rule 11 and §1915(d) share the purpose of deterring fraud on the court. Under both provisions court must make particular findings before imposing sanctions. Courts have not found that employing procedural safeguards in making such findings impedes the objective of Rule 11. Likewise, there is no reason to think that doing so would undermine the deterrence of fraud under §1915(d).

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[7] A determination of poverty does not guarantee the appointment of counsel. N.D. IL Rule 3.82(C).

Certainly the efficient disposition of fraudulent claims is a legitimate goal. However, denying a claimant adequate notice and an opportunity to respond before such a determination is even made is an illegitimate means of doing so. See Roadway Express, Inc., 447 U.S. at 767; Nietzke, 490 U.S. at 390. In order for §1915 to provide poor litigants truly equal access to courts, the statute must be construed to provide them the same procedural protections afforded nonindigent litigants. See Neitzke, 490 U.S. at 329-30.

Appellees Violate The Approach Used By the U.S. Supreme Court in Matthews v. Eldridge To Determine What Procedures Are Required.

Applying the Matthews v. Eldridge balancing test, this court should conclude that further process is due Mr. Heath when the court decides to revoke IFP status and to dismiss with prejudice totally court may impose sanctions under §1915. 424 U.S. 319, 335 (1976). First, the severity of the sanction the court imposed is great– denial of IFP status, refusal to appoint counsel in a patent case, dismissal of a litigants cause of action. §1915(d). In Mr. Heath's case, the district court imposed the most extreme sanctions including, dismissal with prejudice so he can not even refile if he can borrow the filing fees and get an attorney to take his case on a motion set fee notice provide and a hearing for attorneys fee sanctions but for dismissals for filing an continue IFP motion. (App. 16)[8]. In light of the Supreme Court's position that all sanctions merit the protection of

[8] Cites to the record shall be to the appendix of opening Brief of Amicus Curiae.

notice and an opportunity for a hearing, these sanctions of which will foreclose Mr. Heath's claims and dismissal with prejudice necessarily merit these safeguards. See Roadway Express, Inc., 447 U.S. 752, 767 (1980). Defendant Baxter Lab's claim otherwise. There, the Court stated, "[l]ike other sanctions, attorney's fees certainly should not be assessed lightly or without fair notice and an opportunity for a hearing on the record." Id. (emphasis added). Nonetheless, Defendant Baxter totally misreads Raodway Express to make a ludicrous argument Adkins v. E.I. Dupont De Nemours & Co. Inc., 335 U.S. 331 (1948) to make the untenable claim that litigants should receive notice and opportunity to present a defense when the sanction of fees and costs is imposed, but not when facing the permanent deprivation of her cause of action. (Baxter Resp. at 13). However, given that "[t]he due process concerns posed by outright dismissal are plainly greater than those presented by assessing counsel fees against lawyers," defendant Baxter's assertion must be rejected out of hand. Indeed Roadway requires refusal and re Roadway Express, Inc., 447 U.S. at 767, n.14. The second and third Mathews factors also weigh in favor of a hearing. 424 U.S. at 335. The risk of an erroneous dismissal without a hearing is great. Because the affidavit required to proceed in forma pauperis gives no clear guidelines on how to report income, litigants may need the opportunity to explain how they derived the figure reported, or how they interpreted what information the form is requesting. (A.C. Brief at 25). Further, a hearing is invaluable in assessing the credibility of litigants, such that a court may properly exercise its discretion whether to dismiss. See Harris, 664 F.2d at 390. In Mr. Heath's case in particular, testimony by his accountant, or additional financial records, may have

prevented the district court from misunderstanding the figure represented on his affidavit. (A.C. Brief at 27-28).

Finally, applying the fourth Mathews factor, this court should find that the court's interest in deterring fraudulent conduct does not outweigh the concerns outlined above. 424 U.S. at 335. The courts can accommodate both the concern of curbing abusive litigation and that of providing adequate procedural protections by affording litigants notice of the proposed sanctions and a hearing before imposing sanctions. See Fed. R. Civ. P. 11(c). (A.C. Brief at 10-11).

Further, the district court's determination whether to appoint counsel for Mr. Heath involved the balancing of a five-factor test. See Swofford v. Mandrell, 969 F.2d 547, 551 (7th Cir. 1992). One of the considerations it had to take into account was the complexity of the legal issues presented in Mr. Heath's case. Id. Given that he is alleging patent infringement and antitrust claims, the evaluation of this factor alone merited a hearing before the district court determined Mr. Heath was not entitled to counsel. (App. 1).

Defendant Baxter Lab's mistakenly claims that Mathis v. New York Life Ins. Co., 133 F.3d 546 (7th Cir. 1998) held that no hearing is required. (Baxter Resp. at p. 10), but the issue of whether a hearing is required was not addressed by the court. (What did they rule) Indeed, the Eleventh Circuit, which has addressed the procedural requirements under §1915 has ruled that a hearing is required. Harris, 664 F.2d at 389-390. The Eleventh Circuit Court in Harris directly addressed the hearing requirement,

expressing disapproval that the district court had dismissed the complaint with prejudice without a hearing. (For intrue pleadings) Id. at 389-390. The court found the procedures inadequate, even though plaintiff had submitted a memorandum in opposition to the motion to dismiss. Id. Similarly, Attwood v. Singletary, 105 F.3d 601 (11th Cir. 1997) provides support for a hearing requirement. The court took note of the due process requirements with respect to Rule 11 specifically, and upheld the dismissal under §1915(d) because a two-day hearing revealed that the plaintiff was not indigent. Attwood, 105 F.3d at 613.

These cases demonstrate that the balance of interest weigh favor of providing in forma pauperis litigants notice and a hearing before a court imposes sanctions. Even if this court concludes that a evidentiary hearing may not be merited in every case, it nonetheless must find that it was merited in Mr. Heath's. Because the district failed to afford Mr. Heath these protections before imposing the most extreme sanction, its decision must be reversed.

4. Mr. Heath Was Given No Notice of the Proposed Sanctions.

No one Mr. Heath notice of the sanctions sought at the in camera proceeding. None of the defendants filed motions seeking sanctions before the in camera proceeding. Now Appellees, belatedly seek to perceive their windfall. (A.C. Brief at 7). The assertions of defendants Walters and Baxter do not support a finding to the contrary. Defendant Walters states that Mr. Heath had adequate notice of the proposed sanctions because Mr. Friedman expressed concern

to Mr. Heath about his tax returns and because Mr. Heath obtained a letter from his accountant explaining his finances. (Def. Walters Resp. at 11). However, nowhere in the docket is there any indication that Mr. Miller's motion to withdraw was because of any intrue allegations of poverty, the only issue pending Mr. Miller's motion to withdraw because of a conflict of interest. Indeed, Judge Lindberg bought the issues up sua sponte which Mr. Miller indicated he did not expect the court to reach. Without knowing fully what transpired in the private conversations between Mr. Heath and his attorney, imputing such knowledge to Mr. Heath is unwarranted. Moreover, even if Mr. Heath was aware that his attorneys questioned his affidavit, such "notice" is wholly deficient, as it was not official notice by the court of the proposed sanctions. Cf. Mullane v. Central Hanover Bank & Trust Co., 339 U.S. 306, 320 (1950); Fed. R. Civ. P. 11(c).

The defendants do not contest that the district court itself failed to give Mr. Heath prior notice of the sanction before dismissing his attorney. Further, defendants do not dispute that the court failed to inform Mr. Heath of its intention of dismissing his case with prejudice prior to the imposition of that sanction.[9] This simultaneous notice and imposition of sanctions did not comport with due process because it failed to afford Mr. Heath adequate time to prepare a defense. See Memphis Light, Gas and Water Division v. Craft, 436 U.S. 1, 14 (1978) ("[t]he purpose of notice under the Due Process Clause is to appraise the

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[9]Likewise, no pleading by the defendants preceded either sanction.

affected individual of, and permit adequate preparation for, an impending 'hearing'").

Equally unpersuasive is defendant Baxter's contention that the in forma pauperis statute provided Mr. Heath with adequate notice. (Def. Baxter Resp. at 14-15). First, the Supreme Court has said that due process requires that the notice for the _____ include sufficient information to advise the party of the potential adverse consequences. Memphis Light, 346 U.S. at 14 (requiring that proper notice had to inform utility customers of the possible threat of termination of services for failing to pay a bill). Because §1915(d) warns litigants only of the possibility of dismissal, but does not tell litigants when this issue will be heard warn of the risk of dismissal *with prejudice*, the notice to Mr. Heath was inadequate. 28 U.S.C.A. §1915(d). Second, for the reasons stated above and in Amicus Curiae's opening brief, indigent litigants should be afforded the same notice to which non-indigent are entitled under Rule 11 and Rule 12(b)(6). (A.C. Brief at 11). Although Rule 11 warns litigants that sanctions may be imposed for particular conduct, due process concerns dictate that litigants are entitled to additional notice by the court seeking to impose sanctions. Fed. R. Civ. P. 11(c); see also Johnson v. Waddell & Reed, Inc., 74 F.3d 147, 151 (7th Cir. 1996); Kapco Mfg. Co., Inc. v. C&O Enter., Inc., 886 F.2d 1485, 1494 (7th Cir. 1989). Similarly, sua sponte dismissals for failure to state a claim must be preceded by notice. Shockley v. Jones, 823 F.2d 1068, 1073 (7th Cir. 1987). Because of the extreme nature of the sanctions imposed by the court in the present case, notice in addition to the statute is merited. See Roadway Express, Inc., 447 U.S. at 767.

5. Mr. Heath Was Given No Meaningful Opportunity to Present a Defense Prior to the Dismissal of His Case with Prejudice.

Judge Lindberg twice decided sua sponte, call his accountant to explain the calculations to take action because ____ income and the explain Miller's confusion and innocent int_____. There is no doubt that Mr. Heath desperately wants to have counsel appointed to litigate his patent and antitrust claims. When his IFP motions were rejected, he amended application to show he did not have available income to hire a lawyer No one seriously contends that Mr. Heath can afford a lawyer, Nor can Appellees be serious that Mr. Heath is so sophisticated that he can match wits let alone litigation skills with the money prestigious lawyers lined up against him. And it is most assuredly true that Mr. Heath cannot afford the hourly rate of any of one of their attorneys.

Mr. Heath was entitled to an evidentiary hearing to e_____ the facts, See Roadway Express, Inc., 447 U.S. at 767. Defendant Baxter claims that Mr. Heath's due process rights were met when he filed his affidavits and supporting documents. (Def. Baxter Resp. at 16). Considering that these submissions were made prior to notice of the sanctions, they cannot constitute a meaningful opportunity to respond to the proposal of sanctions. See Memphis Light, 346 U.S. at 14. Further, as Amicus argued in its original brief, the in camera hearing was inadequate since Mr. Heath was forced to respond immediately to the charges of fraud without the opportunity to prepare a defense. Id.; (A.C. Brief at 9-10).

Significantly, defendants do not disagree that the court provided no additional procedures before enhancing the penalty imposed upon Mr. Heath from dismissing his appointed counsel to dismissing his case with prejudice. The district court, through its order vacating the appointment of counsel, indicated that the matter had been adjudicated. (App.15).[10] Because Mr. Heath had no notice of the court's intention to elevate the sanction to dismiss his case with prejudice, the in camera hearing cannot constitute an opportunity to respond to it. See Memphis Light, 436 U.S. at 14.

II.

DISMISSAL OF MR. HEATH'S CASE WITH PREJUDICE IS PRECLUDED BY THE UNANIMOUS UNITED STATES SUPREME COURT DECISION IN DENTON V. HERNANDEZ ISSUED IN 1992.

Despite the Supreme Court's express language to the contrary, defendants assert that dismissal with prejudice under §1915(d) is permitted. The unanimous court stated (Def. Baxter Resp. at 6-9; Def. Walters Resp. at 3-7; Def. 2-4). Amicus Curiae agrees with defendants to the limited extent that the Court in Denton contemplated dismissals with

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[10]Contrary to Defendant Walters claim, the district court's order did not increase the sanction from a dismissal without prejudice to one with prejudice. (Def. Walter Resp. at 10). Rather, the order changed the sanction from denying Mr. Heath leave to proceed in forma pauperis to dismissal with prejudice. (App. 16).

prejudice, but only with respect to dismissals for frivolousness. Denton v. Hernandez, 504 U.S. 25, 34 (1992). In addition, dismissals for maliciousness would not be precluded under Denton because unlike dismissals for filing a false affidavit of poverty, the court must address the merits of the underlying complaint to reach its determination.

The interest underlying the Court's opinion in Denton was to ensure that courts do not dismiss cases prematurely without reaching the merits. Denton, 504 U.S. at 34. Moreover, the Court has placed this concern squarely within the due process doctrine. See Societe Internationale Pour Participations Industrielles Et Commmerciales, S.A. v. Rogers, 357 U.S. 197, 209 (1958). Allowing dismissal with prejudice for filing a false affidavit is in direct conflict with this principle. See Denton, 504 U.S. at 32; see also Rogers, 357 U.S. at 209. A court's finding that a litigant is not entitled to proceed in forma pauperis does not preclude him from filing a paid complaint. Id. at 34.

III. THE DISTRICT COURT'S FINDING OF FRAUD WAS ERRONEOUS.

In light of Mr. Heath's good faith attempt to most accurately represent his financial status, the district court's finding of fraud cannot stand. As Amicus stated in its original brief, Mr. Heath's should not be penalized for attempting to most accurately state the income he had available to pay for counsel. (A.C. Brief at). Defendant Walters wrongly claims that Mr. Heath's allegation of poverty was "plainly and simply untrue." (Def. Walters Resp. at 14). However, absent a definition of "gross and net

salary," Mr. Heath was not unreasonable in deducting all of the expenses which reduced the amount he had available to pay an attorney. Because of business and personal expenses and a federal tax lien, he was left with only a small amount of money with which to pay legal expenses. (App. 17).

Indeed, the quote from Mathews v. Gaither relied upon by defendant Baxter, read in its entirety, supports Mr. Heath's reading of the requirements. (Def. Baxter Resp. at 11). In Mathews, the court stated that the purpose of §1915(d) is to "weed out the litigants who falsely understate their net worth in order to obtain in forma pauperis status when they are not entitled to that status based on their true net worth." 902 F.2d 877, 881 (11th Cir. 1990) (emphasis added). However, even if the district court disagreed with Mr. Heath's interpretation of the affidavit requirements, it was an abuse of discretion to impose the most severe sanction for his mistake without providing him an opportunity to present or explain his financial records in a hearing. Cf. Cleveland Bd. of Educ. V. Loudermill, 470 U.S. 532, 544 (1985) (". . . the right to a hearing does not depend on a demonstration of certain success").

It would be unfair to award the defendants in this case a windfall by dismissing Mr. Heath's case without requiring them to answer his charges. Defendants, who did not even raise the in forma pauperis issue themselves, should not be able to reap the benefits of a judicial determination made in violation of Mr. Heath's rights.

CONCLUSION

For the foregoing reasons, Amicus Curiae respectfully requests this Court to reverse the district court's order dismissing Mr. Heath's case with prejudice.

Respectfully submitted,

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TABLE OF CONTENTS

98

ARGUMENTI.THE DISTRICT COURT IMPROPERLY IMPOSED SANCTIONS WITHOUT AFFORDING MR. HEATH ADEQUATE NOTICE OR AN EVIDENTIARY HEARING. 83

United States Supreme Court Cases Require That In Forma Pauperis Litigants Be Given Procedural Safeguards Similar And Equal To Those Afforded Nonindigent Litigants 84

Appellees Violate The Approach Used By the U.S. Supreme Court in Matthews v. Eldridge To Determine What Procedures Are Required 87

Mr. Heath Was Given No Notice of the Proposed Sanctions. 90

Mr. Heath Was Given No Meaningful Opportunity to Present a Defense Prior to the Dismissal of His Case with Prejudice . 93

II.DISMISSAL OF MR. HEATH'S CASE WITH PREJUDICEIS PRECLUDED BY THE UNANIMOUS UNITED STATESSUPREME COURT DECISION IN DENTON V. HERNANDEZISSUED IN 1992. 94

III.THE DISTRICT COURT'S FINDING OF FRAUD WAS ERRONEOUS. 95

CONCLUSION 97

TABLE OF AUTHORITIES

Adkins v. E.I. Dupont De Nemours & Co. Inc., 335 U.S. 331 (1948)..9

Attwood v. Singletary, 105 F.3d 601 (11th Cir. 1997) ..12

Cleveland Bd. of Educ. V. Loudermill, ...470 U.S. 532, 544 (1985) ..22

Coppedge v. United States, ...369 U.S. 438, 447 (1962))..3

Denton v. Hernandez, ...504 U.S. 25, 34 (1992)..19, 20

Harris v. Cuyler....5, 6, 10, 11

Johnson v. Waddell & Reed, Inc., ...74 F.3d 147, 151 (7th Cir. 1996)....16

Kapco Mfg. Co., Inc. v. C&O Enter., Inc., ...886 F.2d 1485, 1494 (7th Cir. 1989).... 16

Logan v. Zimmerman Brush Co., ...(1982) 422 U.S. at 439 ...4

Mathews v. Gaither...21

Mathis v. New York Life Ins. Co., ...133 F.3d 546 (7th Cir. 1998) ...11

Matthews v. Eldridge... 7, 9, 10

Memphis Light, Gas and Water Division v. Craft, 436 U.S. 1, 14 (1978)...14, 15, 17, 18

Mullane v. Central Hanover Bank & Trust Co., 339 U.S. 306, 320 (1950)...14

Neitzke v. Williams,
490 U.S. 319, 329-30 (1989)...3, 5, 7

Roadway Express, Inc.,
447 U.S. at 767...7-9, 16, 17

Schweiker v. Wilson,
450 U.S. 221, 235 (1981))...4

Shockley v. Jones,
823 F.2d 1068, 1073 (7th Cir. 1987)...16

Societe Internationale Pour ParticipationsIndustrielles Et Commmerciales, S.A. v. Rogers, 357 U.S. 197, 209 (1958) 20

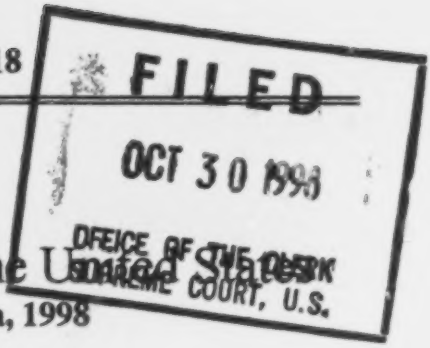
Swofford v. Mandrell, 969 F.2d 547, 551 (7th Cir. 1992)...11

RULES AND STATUTES

Fed. R. Civ. P. 11(c)....5, 10, 16
Fed. R. Civ. P. 11(c); §1915(d)....5
Fed. R. Civ. P. 12(b)(6)...5
Rule 11 and Rule 12(b)(6)...15
Rule 11 and §1915(d)...6-8, 12, 15

(2)

No: 98-718



In the

Supreme Court of the United States

October Term, 1998

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Roger Lee Heath
Petitioner,

v.

Baxter International, Gomer Winston Walters,
Nadeen Berger, et. al.
Respondents

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On Petition For a Writ of Certiorari To The United States Court of Appeals for the Seventh Circuit

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SUPPLIMENTAL APPENDIX

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3518

TABLE OF CONTENTS
OF SUPPLIMENTAL APPENDIX

ORDER OF THE DISTRICT COURT OF THE NORTHERN DISTRICT OF ILLINOIS DATED MARCH 18, 1997..... App. 1

APPEAL OF *PRO SE* APPELLANT ROGER HEATH, MAY 19, 1997..... App. 4

APPENDIX

United States District Court
For The Northern District of Illinois
Chicago, Illinois 60604

ORDER
March 18, 1997

Roger L. Heath, *Plaintiff*

v.

Gomer W. Walters, Baxter International, et. al., *Defendants*

Case No. 94 C 7812
George W. Lindberg, Judge

The court, sua sponte, reconsiders its order of March 11, 1997. The court is of the opinion that plaintiff's misstatement of his income on the petition to proceed in forma pauperis was in fact a fraud on the court. The court therefore exercises its discretion and dismisses this action with prejudice. 28 USC Sec. 1915(d) (court "may dismiss the case if the allegation of poverty is untrue"). Additional explanation of the reasons for this action is contained in a Memorandum and order filed this day under seal in order to protect attorney-client privilege. The portion of the March 11, 1997, order relieving all appointed counsel of their appointments is unaffected by this order.

MEMORANDUM AND ORDER

On March 11, 1997, the court conducted an in camera proceeding on the record at the request of Mr. Marvin miller, appointed counsel for plaintiff. Mr. Miller advised the court that upon analysis of plaintiff's representations under oath in his application to proceed in forma pauperis, it became apparent that for the fiscal year 1994, which would be the relevant year of reference for the application, the plaintiff had a total income of $20,740. In fact, for the immediate previous two years he had incomes of over $38,000 and $20,000 respectfully. Rather than report the $20,740 as required by question 1(a) of the application, he reported what he represented to be the average of the most recent years' 'income to wit': "Average Income (NET of TAX) = $2016.17". At the hearing plaintiff presented the court with a different figure for the average income referred to in his application. He admitted that the correct figure was $12,800 not $2016.17 a difference of over $10,000.

The court concluded at the end of the hearing that plaintiff had never been entitled to proceed in forma pauperis and vacated the order granting his application to proceed. Because he was not being permitted to proceed in forma pauperis, plaintiff was not entitled to appointed counsel. 28 USC Sec 1915(a),(d). Therefore, Mr. Miller's motion to withdraw as counsel was granted and plaintiff's other appointed attorney was also relieved of appointment.

The court has given substantially more consideration to the plaintiff's conduct in this matter. The court now finds plaintiff intentionally manipulated the amounts of his actual

income to induce the court to grant him free counsel. He perpitrated a fraud on the court. There was a continuing fraud, until brought to the court's attention March 11, 1997. Until that time, the court was unaware of the elaborate scheme that the plaintiff engaged in to defraud the court, and at that hearing plaintiff continued his deception by attempting to explain awaythe false statements he had made in the affidavit in support of his application to proceed forma pauperis. The only sanction appropriate to a fraud of this magnitude is dismissal of the action wiuth prejudice. See 28 USC Sec 1915(d); Romesburg v Trickey, 908 F2d 258, 259 (8th Cir 1990) ("district court has the discretion to dismiss a case with prejudice where a plaintiff has in bad faith filed a false affidavit of poverty).

ORDERED: The court, sua sponte, dismisses this action with prejudice.

Date: March 18, 1997

/s George W. Lindberg
U.S. District Judge

IN THE UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT

CASE NUMBER: 97 - 1844

APPEAL
OF *PRO SE* APPELLANT ROGER HEATH

Roger Lee Heath	)	
PRO SE Plaintiff,	)	NO. 94 C 7812
	)	
v.	)	JUDGE LINDBERG
	)	
Baxter, Walters, Townsen., .	)	Magistrate Judge: Lefkow
Et.al. Defendants.	)	May 19, 1997

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TABLE OF CONTENTS:

Exhibit References - Exhibits referenced in this Appeal are primarily those of two docketed filings in the District Court:

1. 4/4/97 - NOTICE of MOTION by pro se appellant Roger Lee Heath and MOTION for reconsideration of the order to dismissal. (exhibits 1-10) (Docket #244 - 4/22/97)

2. 4/4/97 - MEMORANDUM (Incomplete Amended Complaint) by pro se appellant Roger Lee Heath in support of motion for reconsideration of the order for dismissal and incomplete Amended Complaint. (exhibits 1-31 and A-Z) (Docket #246 - 4/22/97)

Note: Above documents were missing and marked on the Docket dated April 22, 1997 as 'N/A' (Not available in the District Court File) After being informed of this, the Appellant filed a motion for supplementing the record with copies and for these to be forwarded to the Court of Appeals. This motion was granted on a Minute Order dated 5/6/97. Appellant has received a copy of a letter from Ms. Ruby McGhee dated 5/9/97 that these documents have been forwarded to the Clerk of the Court of Appeals for the Seventh Circuit.

Sections:	**Page References**:
Certificate of Interest	attached previous page
Jurisdiction	3
Statement of the Case	3
Statement of Issues	3
Statement of Facts	10
Summary of Argument	11
Argument:	12
Conclusion	18

Table of Cases Arranged Alphabetically:

	Page References:
Brown v. Frey, 806 F2d 801, 803 (8th Cir 1986)	17
Crosby Steam Gauge & Valve Co. v. Manning, Maxwell, & Moore, Inc. (DC Mass) 51 F Supp 972, 59 USPQ 189	18

De Santa v. Nehi Corp., (1948, CA2 NY) 171 F2d 696 3

Gillis v. Keystone Mut. Casualty Co. (1949, CA6 Ky) 172 F2d 826 3

Grey v. Shell Oil Co. (1972, CA9, Cal) 469 F2d 742 3

Keaton v. Atchison T. & S.F.R. Co., (1963, CA7, Ill.) 321 F2d 317 3

Morgan v. Sun Oil Co. (1940 CA5 Ala) 109 F2d 178) 21

Romesburg v. Trickey, 908 F2d 258, 259 (8th Cir 1990) 17

Appellant, Roger Lee Heath, appearing Pro Se, and who is not an attorney, respectfully submits the following Appeal to the best of his understanding of the required rules and procedures.

JURISDICTION:

This statement is presented under U.S. Statute Title 28 USC 1338, and others cited within the case (see MOTION and MEMORANDUM dated 4/4/97, Docket #244-246, 4/22/97) , that gives the District Court authority to hear the case. This statement is presented which gives the Circuit Court of Appeals jurisdiction to hear this appeal. (28 USC 1291, F.R.C.P., F.R.A.P.)

Also, Rule 61 of the Federal Rules of Civil Procedure should also be heeded by Appellate Courts. (*De Santa v.*

Nehi Corp., (1948, CA2 NY) 171 F2d 696, *Gillis v. Keystone Mut. Casualty Co.* (1949, CA6 Ky) 172 F2d 826, *Keaton v. Atchison T. & S.F.R. Co.*, (1963, CA7, Ill.) 321 F2d 317) Rule 61 is applicable at the appellate level. (*Grey v. Shell Oil Co.* (1972, CA9, Cal) 469 F2d 742) Under such context all legal issues in Appellant's case require review.

This Appeal is from a final order in the District Court dated March 18, 1997, is filed on a timely basis, with docketing fee paid, and a Notice of Appeal filed 4/8/97 and Appeal docketed 4/10/97.

STATEMENT OF ISSUES:

Appellant, Roger Lee Heath, has invented extremely valuable life saving technology. In 1983, Prudential Bache Securities, a nationally recognized securities firm, valued Appellant's technology "conservatively" at $66.5 million dollars. Appellant's inventions have been credited as saving thousands of lives worldwide and Appellant has been nominated for the nation's highest prize awarded inventors, The Lemelson MIT Prize, by the Chairman of the American Heart Association, AED Committee, Dr. Richard Kerber, and other prominent medical experts . The American Heart Association has launched a national campaign to make use of Appellant's inventions as common as fire-extinguishers and fax machines beginning with first responders. This has increased the value of Appellant's inventions substantially and will continue to do so in coming years.

Present estimated sales infringing Appellant's patents, including some popular surgical applications, are estimated at $688,000,000.

3. This Appeal focuses primarily on three competitors (defendants) of Appellant;

(1) Baxter International
(herein referred to as 'Baxter')
(2) Medical Research Labs
(herein referred to as 'MRL')
(3) Zenex Corporation
(herein referred to as 'Zenkich or Zenex')

;and those who have aided, in one way or another, each or all these competitors in anticompetitive activities including the criminal demise of the Appellant and the company he founded, R2 Corporation. (the successor which is defendant, R2 Medical Systems, Inc. who is referred to herein as 'R2') The events surrounding the Defendants and the Appellant are highly detailed in a Sworn Statement and Chronology assembled originally for attorney Eugene Friedman appointed by the Court.

As the Court will see in these disclosures, the Appellant's former patent counsel and defendant, Gomer W. Walters, and his law associates or friends, each play key roles in the systematic, prolonged, and pervasive deception of both Appellant and the investors in the company he founded, R2, chiefly on behalf of the above competitors or their associates.

The events outline at least three parallel Conspiracies against the Appellant, each representing actions on behalf of an above mentioned competitor:

(1) - <u>On Behalf of Zenex</u> - In very short summary, in this

conspiracy Appellant was referred by Zenex's own attorneys, defendant Dalton and others, to Gomer Walters. Walters then filed a lawsuit for Appellant against Zenex, only to then intentionally loose it. Afterwards Gomer Walters converted Appellant's patent rights to both himself and Zenex and then joined in practice with Zenex's own attorneys as rewards or payoffs.

(2) - On Behalf of Baxter - In very short summary, this conspiracy involves, in Gomer Walter's own words, a conspiracy or 'pathway to follow' given to him by Baxter Chairman, defendant William Graham. It should also be noted that Gomer Walters is a former Yale football teammate of defendant Vernon Loucks, Jr, CEO of Baxter,but these were never presented to Appellant as potential conflicts. In executing this conspiracy, Baxter and Loucks close associates (defendants Phildius, Kenyon, Scott, and Townsen (or Ventana Growth Fund)), and Graham's own former secretary, defendant Diana Hillier (placed into Appellant's company by Gomer Walters himself.) participate in blackmail of Appellant for sexual harassment, using a blackmail letter drafted, at least in part, by defendant, Nadeen Berger. This is after Appellant refused to sell his company to defendant NDM which later became Baxter/NDM and who supplies Baxter. After the blackmail of Appellant, Baxter/NDM then infringed Appellant's patents and proceeded to award defendant Gomer Walters, through its associates, a payoff or royalties potentially worth over $2,500,000. representing conversion and further infringement of the Appellant's patent rights.

(2) - On Behalf of MRL - In very short summary, this conspiracy involves certain investors and advisors of defendant/competitor MRL; Dr. Gary Anderson, Ray Kraftson, and Safeguard Scientifics, who joined the Baxter associates mentioned above in demise of Appellant. This is after these MRL associates, along with other investors, learned of a new defibrillator/resuscitator design that might obsolete MRL products. Then MRL was rewarded or paid off by acquiring distribution of Appellant's technology and an illegally acquired agreement to pursue the highly secret defibrillator/resuscitator project infringing Appellant's patents.

The conspiracies above involve many complex legal issues,. with other collaborating Defendants. After Appellant's criminal demise, William Barrows and Hopkins & Sutter then aided in the further criminal destruction and infringement of the Appellant's rights by not properly litigating on behalf of the Appellant. Barrows also defrauded Appellant about many legal issues, thus participating in said conspiracies, to further 'set the stage' for payoff of his attorney friend, Gomer Walters, who then signed an agreement, or conversion, or final payoff for $2,500,000 plus of what should be Appellant's patent royalties, when he was owed only a very small amount of fees, and for his pervasive and prolonged participation in these events since the beginning.

Afterwards, the competitors listed above even eventually hired away the technical engineering expertise assembled by Appellant, dividing it among themselves in the concerted, well planned and executed intentional destruction

of Appellant and his company as a viable competitor within medical markets, and even appointed to the Appellant's company's board former Baxter executives and MRL associates.

Appellant after being misled and coerced, with this criminal undue influence and fraud, into a settlement, then disclosed part of the issues to some shareholders and authorities at which time this coerced settlement was breached ultimately throwing Appellant into an even more severe prolonged state of mental strife, poverty, loss of his home, and virtually everything meaningful to him, and finally destroying any reputation or normal life to which he is deserved. Appellant was blackballed right out of the medical industry after inventing products ultimately responsible for saving thousands of lives on a national scale.

Appellant has invented medical lifesaving products that have now accounted for over ONE HALF BILLION DOLLARS in sales. Appellant has received NO ROYALTIES AT ALL on his more than 30 patents. Appellant begs the Court to understand that this could only have occurred due to a systematic and pervasive CONSPIRACY to DEFRAUD and DECEIVE, over a long period, by Appellant's own former legal counsel, and Defendants, with the intent to participate in the infringement of Appellant's own inventions or patent rights, and further, to conspire with competitors, especially Defendants of Baxter, in the deliberate destruction of Appellant's life, with the intent restrain trade and competition, and with the intent to permanently eliminate any just pathway of recourse,

legal and otherwise, by Appellant against Defendants. This undue influence, fraud, and moral coercion to extort from Appellant his extremely valuable patents, valuable equity in the company he founded, disable any competition from Appellant. and infringe his technology, is criminal, and also represents serious Patent, Federal Antitrust, Federal Securities Law, and Federal RICO Racketeering violations.

Classically, as a whole conspiracy, involving multiple competitors conspiring together 'horizontally' in collaboration with others to cripple or disable a single potential competitor to limit competition, restrain trade, extort and infringe his patent rights, is also a violation of the Sherman Act and when utilizing criminal actions or methods upon more than one related entity is a violation of the Federal RICO racketeering laws, and when done with an intent to manipulate equity or securities is a violation of Federal Securities Laws. Defendants in this case intended from the beginning to violate these Federal laws through application of the other means. Certain other named defendants aided and abetted these competitors in these violations..

Heart Disease is the nation's number one killer. Actions by the defendants have disabled not only Appellant's abilities to openly and fairly compete, further develop, and benefit from his life saving patents, but also have prohibited Appellant from saving additional lives on a national scale through the proven and expanded application of his unique expertise. Appellant's designs have never been completed.

This alone is a serious ongoing crime against the Appellant and the United States.

Exhibits for above statements are available in the 4/4/97 - MEMORANDUM (Incomplete Amended Complaint) by pro se appellant Roger Heath (exhibits 1-31 and A-Z) (Docket #246 - 4/22/97)

Other issues identified concerning this complex case are in the record from three basic parties, The District Court, Eugene Friedman (an attorney appointed by the District Court), and Roger Lee Heath, the Appellant.

On March 19,1996 The District Court found the following issues or claims could be identified within the Appellant's Original Complaint and subsequent responses;

> "fraud by Appellant's former lawyers, conversion of patents by Appellant's former patent attorney, patent infringement, contributory infringement, unfair competition, defamation, blackmail, sexual harassment, extortion, misrepresentation, legal malpractice, collusion, payoffs, and that William Barrows and Hopkins & Sutter failed to rectify Appellant's demise." (see MINUTE ORDER 3/19/96 - Docket #217 - 4/22/97)

On October 25, 1996 additional or same issues concerning this case were identified by Eugene Friedman, an attorney appointed by the District Court;

> "... Friedman reached two important conclusion

concerning the further handling of this case. First, the action concerns various bases only peripherally connected to patent law. These bases specifically include legal malpractice, breach of fiduciary responsibilities, breach of contract, antitrust law, securities violations, fraud, conversion, and possibly others." (see MEMORANDUM 4/4/97 – Exhibit 7 - Docket #246 - 4/22/97)

On April 4, 1997 the Appellant filed in the District Court a Motion for Reconsideration of the order to dismissal. Contained in this filing is a Memorandum or Incomplete Amended Complaint with attachments which lists many specific statutes and related issues that are the issues in his case. (See 4/4/97 - MEMORANDUM (Incomplete Amended Complaint) by pro se appellant Roger Lee Heath in support of motion for reconsideration of the order for dismissal and Incomplete Amended Complaint. (exhibits 1-31 and A-Z) (Docket #246 - 4/22/97))

Appellant is PRO SE, not an attorney, and without legal background in most of these issues. It is important to understand that Appellant's first Complaint was filed in haste, with broad claims, and numerous defendants, after Appellant had considerable and unsuccessful attempts to retain counsel, and after Appellant learned he had been deliberately misled, by his own counsel, who are defendants in this case, regarding many important legal issues surrounding his case. After filing his first Complaint, Appellant has been in the process of learning the Court's rules as he struggles along attempting, to the best of his

abilities, to understand the rules, forms, accounting principles, and the complex legal issues surrounding his case.

The Appellant's case was dismissed, with prejudice, on March 18, 1997 case due to a dispute over accounting terms in which the District Court concluded that Appellant defrauded the District Court on his application for counsel on a Forma Pauperis form. The Order did not address any of the above serious legal issues at all or other reasons for appointment, under Rule 3.82, of counsel originally requested by Appellant in his motion. (see Appendix) (also see 3/19/96 MINUTE ORDER - Docket #217 4/22/97)

STATEMENT OF THE CASE:

The nature of the case is very complex and substantially disclosed, with types of action and statutes involved, in the Record in the Motion and Memorandum (or Incomplete Amended Complaint) filed 4/4/97 by the Appellant. (see 4/4/97 - Motion and Memorandum - Docket #244-246 from Docket dated April 22, 1997)

STATEMENT OF FACTS:

For a detailed disclosure of the facts and events surrounding Appellant see Appellant's Chronology of Events (with 'Preponderance of Evidence' notes) disclosed within the case. (see 4/4/97 - Memorandum - Docket #244-246 4/22/97)

After filing of the first Complaint of this case in December 1994, the District Court concerned itself primarily with responses by the Appellant and the defendants for approximately one year. (see Docket #1-217)

On 3/19/96 (see Docket #217) the District Court denied all motions to dismiss except defendant Baxter and ordered Appellant to produce an Amended Complaint. In addition the Court granted a motion of Appellant for appointment of counsel under Rule 3.82 listing many reasons for appointment of counsel from Rule 3.82, and a Forma Pauperis application clearly 'Net of Tax' or listing after tax income of Appellant. Attached to the Forma Pauperis form and motion was a sworn statement from the Appellant's CPA clearly stating the period for which the after tax income was derived. The District Court identified many complex serious legal issues. (see 'Issues' above) Defendants were not required by the Court to respond to any of these serious issues. No oral arguments were given upon these issues.

The Court spent the better part of a year attempting to appoint counsel. Most attempts were frustrating and unsuccessful because most attorneys, and many law firms in Chicago, already represent defendant Baxter, a conflict. Finally the Court appointed attorney Eugene Friedman as counsel to Appellant. In a motion to the Court, attorney Friedman identified many complex legal issues and indicates he alone cannot represent Appellant. (see 'Issues' above) The Court responded, reaffirming complexity of the case (Rule 3.82) and that a 'multidisciplinary approach' to the case is warranted, and that two additional attorneys should be appointed to Appellant. (see Docket# 217-229)

The Court again, with difficulty, attempted to appoint counsel, and again mostly unsuccessful due to defendant Baxter retaining most of the firms in Chicago that are approached by the Court. Finally a Mr. Marvin Miller is appointed by the Court. Mr. Miller and some of his associates began inquiry into Appellant's case also finding many complex legal issues. Mr. Miller requested an incamera proceeding with the Court and Appellant discovered that Mr. Miller has a serious conflict of interest. Mr. Miller has a client that is in the same Court and before the same Judge, which is a business partner with two of the defendants, including the company 'R2' founded by Appellant who is directly infringing Appellant's patent rights.

At the beginning of the incamera proceeding the conflict of Mr. Miller was affirmed and he and his associates present were dismissed. Yet, Mr. Miller, and his associates, proceeded, at the request of the Court, to disclose randomly selected documents to the Court regarding plaintiff's financial history. The Appellant then produced a sworn statement or letter from his accountant demonstrating his average after tax income for the years 1990 to 1995 is $9476. per year. The attorney, Friedman, reaffirmed a list of many of the complex issues in Appellant's case. The Court, after conferring with it's counsel privately, returned an opinion that the Appellant had NOT defrauded the Court. However, since the Appellant had some improvement in his condition financially, remaining attorney Friedman was dismissed. The Appellant argued that counsel had already been appointed based on 'complexity' (Rule 3.82) and that it should be allowed to continue. The Court indicated that Appellant

could file an Amended Complaint, as ordered, on his own pro se and that counsel may possibly be reappointed based on complexity afterwards. (see Docket #229-233)

With no change in the prior facts or materials brought before the Court, and without a full review of the financial records of the Appellant, and without addressing the other serious legal issues already identified by the Court, the Court then handed down an order to dismissal with a second opinion that the Appellant did commit fraud. A motion for reconsideration by Appellant was also denied and the case was brought to the Court of Appeals. (see Docket #233-350)

SUMMARY OF ARGUMENT:

Appellant did not defraud the Court and did not have an elaborate scheme to do so regarding his status as Forma Pauperis. On the form or application for such he used a reasonable and generally accepted accounting term from a practicing CPA who had knowledge of his financial records. 'Net of Tax' or 'Net Income After Tax' is of having to make an assumption based on a limited description of what is required on the form. The accounting term used is common and readily understood by everyone. The number presented on the form is accurate based on the best records available to Appellant. No fraud occurred.

The District Court's order was based upon inaccurate presentations by an attorney already dismissed and who was, previous to that, established, by the Court, to have a conflict of interest, who appears to have thus prejudiced Appellant's case. The Record on the Order to Dismissal is inaccurate on

disclosing this conflict issue and the reason for this attorney's dismissal.

The District Court has produced contradicting opinions regarding whether the Appellant committed fraud in this regard that are on file in the Record even though the prior facts available to the Court in both instances did not change. The order was also rendered without a fair, thorough, and reasonable review of all of the Appellant's financial records that will demonstrate no fraud occurred.

The error by Appellant, if any, for which the case was dismissed does not affect the very serious subject matters, or principle issues, within the Appellant's case. The Court cannot disregard these issues in the case because of a minor error, if any, the Appellant may have made because this is inconsistent with substantial justice. (F.R.C.P. Rule 61) Appellant's case must be allowed to continue.

Inappropriate venue may have unfairly harmed Appellant's case.

ARGUMENT:

The following excerpts are reviewed from Appellant's motion of April 4, 1997 because of their very direct relevance to this Appeal. Exhibits referred to are those within that motion. (see 4/4/97, MOTION of pro se plaintiff Roger Heath, Docket #244 4/22/97) The following was presented to the District Court:

On March 18, 1997 the Court granted a Motion to Dismiss based upon observing very limited documents regarding Appellant's financial records and concluding alleged fraud had occurred by Appellant.

Appellant is PRO SE and not a lawyer or even an accountant. Thus, Appellant does not have a clear or professional understanding of all the Federal Rules of Civil Procedure or all accounting procedures and practices of the Court. Since March 18th, Appellant has met with his accountant to determine the accuracy of his documents or filings with the Court.

1. Appellant has had no fair and reasonable opportunity at all to produce complete financial records to demonstrate the validity of his filings. Only partial financial data were disclosed to the Court by an attorney who was dismissed due to conflict.

2. At the beginning of the March 11th in camera proceedings Appellant first instructed Mr. Miller, his associates, not to speak due to a potential conflict of interest which might prejudice Appellant's case. This potential conflict was accepted by the Court. Mr. Miller and his associates were dismissed.

3. Mr. Miller, with an established conflict of interest, then proceeded to provide randomly assembled financial data regarding the Appellant to the Court. Mr. Miller's apparent errors in his analysis of Appellant's financial condition forms an unqualified opinion. (see exhibit 1 and 2) Thus any statements provided to the Court by Mr. Miller should be stricken and discarded because of the conflict of interest

accepted by the Court. Mr. Miller's comments cannot be validly used as justification for any Motion to Dismiss particularly because they are in error and with conflict. The Court's 'additional consideration' of Mr. Miller's inaccurate information should not be used as a basis for any ruling. (see exhibit 2)

4. Appellant did not 'intentionally manipulate' any amounts to wrongfully induce the Court to grant free counsel. Mr. Miller did assemble his inaccurate presentation by lifting from context Appellant's financial data. Thus, it is Appellant's opinion that Appellant did not commit fraud at all.

5. Appellant filed his application for counsel under Rule 3.82, citing five reasons for appointment of counsel; all valid. The Court granted that motion:

a. Appellant was forma pauperis at the time and his application was valid. (see exhibit 2)

b. The four other reasons for appointment of counsel remain valid (see exhibit 7) on the basis of complexity of issues and the inabilities of the Appellant to have appropriate diverse expertise to address these issues. The Court affirming the complexity of the issues then moved to appoint three attorneys for a 'multidisciplinary approach' needed to address all of these issues. This approach never materialized for Appellant despite the Court's recognition of complexity

as addressed in Rule 3.82 and Appellant's original motion for appointment of counsel.

6. There is no fraud perpetuated on the Court by Appellant.

7. In addition, an earlier filing of an application for Forma Pauperis by the Appellant, which was denied, is consistent in attempting to disclose financial condition of the Appellant. In the applications the periods were changed from calendar year 1993 to the fiscal year 1994-1995. This change was an attempt, in good faith, by the Appellant to more closely adhere to the questions on the application, 'from each during the past twelve months'. The revised representation is to more clearly demonstrate the role of his substantial expenses and explain the financial condition of the Appellant and his financial ability to retain counsel.

8. In addition, at the time of the filing of an application for Forma Pauperis, Appellant had sufficient reason to consider that he would have a substantially reduced income in 1995 and did in fact. (see exhibit 2 and 8)

9. In addition, as indicated earlier, Appellant has substantial tax obligations that he must pay that are materially significant to Appellant's financial condition and relevant to Appellant's ability to retain counsel. (see exhibits 5 and 6)

10. No 'elaborate scheme' ever existed. Appellant, while not being an attorney, has continued to provide the Court with any information requested. Appellant is also

confronted with continuously learning the rules and procedures as he continues, PRO SE. Any changes that have occurred were attempts to respond more completely to the Court.

11. No ' continued deception' exists or existed. (see 6, 7, 8, 9, 10 above)

12. Appellant also understood that when counsel was appointed his financial status would be reasonably analyzed, and to the extent reasonably feasible in light of changes in his financial condition he would be required to pay the legal expenses. (FRCP 3.86(A)) But, Appellant understood that counsel would continue in such a complex case (Rule 3.82) as the Court had already affirmed.

13. Appellant was awaiting formal appointment of counsel to properly review his financial condition and its relevance to both the Rules and the Court. While the Court has appointed counsel, all of the attorneys have had a potential conflict of interest, save one, and at no time during these proceedings did an attorney file an appearance on behalf of the Appellant. Appellant never had counsel formally representing him who had properly filed an appearance.

14. Based on Attorney Eugene Friedman's Motion of November 7th, 1996 (exhibit 7) the Court affirmed and indicated it wanted a 'multidisciplinary' approach to this complex case and the many issues. Appellant's impression has been that this applies also under his original motion

regarding the five issues his Rule 3.82 which also moved for appointment of counsel due to complexity.

15. Based on the Court's own experiences in appointing counsel for Appellant, the Court now has evidence of the validity of Appellant's own difficulties in retaining counsel. All appointments by the Court, save one, have had a conflict of interest, primarily with defendant Baxter International or it's associates. Appellant's impression has been that this applies also under his original motion regarding the five issues within Rule 3.82 and the 'inability to retain counsel' in that motion which was granted by the Court.

16. Appellant while having in production a much more specific Amended Complaint (see exhibit 10), with new evidence to provide merit to his allegations, has been prohibited from submitting a finished Amended Complaint by the Motion to Dismiss. Appellant has acquired new evidence from the 'meeting with individuals having independent knowledge in these matters' which is mentioned on page 2 of Mr. Friedman's November 7th Motion. (see exhibit 7) Also, Appellant has been provided additional evidence from a Defendant in 94 C 313 before the Court, where Appellant's patents are being tested. Defendants in that case have indicated to Appellant that they have not conceded that Appellant's patents (see exhibits 10 ; (K, L, M, N, and O)) belong to any other than to Appellant.

17. The Order to Dismiss has precluded any defendant from responding to all of the Appellant's allegations. At no time has any Defendant been required by

the Court to provide thorough and complete responses to all of the Appellant's allegations even though the Court has identified many serious allegations in it's Order dated March 19, 1996 that were expanded to even more issues in the Motion filed by attorney Eugene Friedman. (see exhibit 7) Defendants have never been required to respond to all of those issues. In addition, since Appellant has not brought before the Court his new evidence, defendants have not been required to respond to this as well. Also, Appellant has been very recently informed of 'payoffs' in the millions of dollars to some of defendants in this case for his technology. (see exhibit 8) Defendants involved have not been yet required to account for these. (see exhibit 10 (V)) Thus the record in this case is woefully incomplete.

18. Appellant, while not an attorney or an accountant, has attempted, to the best of his abilities, and in good faith, to comply with all Rules and Procedures. A detailed review of this case, and the exhibits attached, discloses serious crimes with the intent to violate many Federal Laws (see exhibit 7) perpetrated by Defendants upon Appellant and others and far exceed any minor misunderstanding, if any, the Appellant might have had of the Rules or Procedures. These serious matters, in Appellant's opinion, must take precedence if 'substantial' justice is to be done. (FRCP Rule 61).

After presentation of the above issues and this motion by the Appellant in the District Court the Court denied this motion for reconsideration of the order to dismissal. (see 4/9/97 - MINUTE ORDER - Docket #249 4/22/97) The argument by the Court concerns 'living expenses', or another

minor accounting issue, or term, not specifically asked for on the Forma Pauperis form. Also, the Court did not comment on the attached Memorandum's contents and their relevance to the enormous serious central issues within Appellant's case even though the Court was informed of the additional and new evidence within this Memorandum. (see 4/4/97 - MEMORANDUM - Docket #244-246 4/22/97) That new evidence concerns payoffs in the millions of dollars, and testament by others, other than Appellant, seriously damaged by the defendants in this case.

The case cited by the District Court is a very inappropriate comparison to Appellant's case. (*Romesburg v. Trickey*, 908 F2d 258, 259 (8th Cir 1990)) In this case a prisoner was concerned about his health and did not list a material real estate asset on the Forma Pauperis form, committing fraud. In Appellant's case he simply listed his after tax income accurately on the form, there was no fraud. In Appellant's case this number came from a practicing Certified Public Account, not a 'prison lawyer'. In Appellant's case much more serious legal issues abound; it is the case of a nationally recognized inventor involved in an attempt to return, compete, and save additional human lives on a national scale using his well established expertise. Somewhat ironically, it appears the prisoner's assets may actually exceed those assets of the inventor after the terrible numerous illegal acts perpetrated against him?

In the Romesburg case it was also stated that, "dismissal with prejudice is a drastic sanction which should be used sparingly. (*Brown v. Frey*, 806 F2d 801, 803 (8th Cir 1986))" The dismissal of Appellant's case with prejudice,

and citing the Romesburg case, is especially inappropriate in light of the fact, already extensively disclosed, that Appellant is also attempting to complete his patented life-saving designs and affect the savings of thousands of additional human lives on a national scale, as he has already done. Certainly the Courts do not intend and should not exercise dismissal with prejudice when such an important issue is involved. Should this not be a national concern, in the interest of the United States, and not just a concern of just Appellant?

Materiality: Appellant has been advised that in order to retain counsel for such a complex case he would have to have hundreds of thousands of dollars and use many attorneys to address all the above Issues mentioned and identified by both the Court, counsel appointed by the Court, and himself. In order for the alleged error, if any, by Appellant on his Forma Pauperis form to have any material relevance to the case, the numbers at issue would have to be of substantial magnitude to affect Appellant's abilities to retain counsel. The amounts disputed by the District Court are not of the amounts to be even qualify as a major issue in the case, nor even provide motivation for fraud. The Appellant cannot even retain one attorney for prosecuting this case much less three, as the District Court has attempted to appoint. If the Appellant has to have funds to retain three attorneys, the issue becomes substantially more irrelevant. In light of this complexity (Rule 3.82), as already affirmed by the Court in it's attempt to appoint three attorneys to Appellant, the issue of the relatively small amount of funds available to Appellant have no significance when the

predominate issue is complexity that must be addressed. (F.R.C.P. Rule 61)

Regarding materiality, and the appointment of counsel, this issue becomes even more irrelevant in light of this case's legal issues and the issues of processes of the saving human lives. Appellant is under the impression that such cases with such issues usually are candidates for intervention. (see *Crosby Steam Gauge & Valve Co. v. Manning, Maxwell, & Moore, Inc.* (DC Mass) 51 F Supp 972, 59 USPQ 189) Perhaps the Court should immediately recommend intervention in this case because of the overwhelming importance of these facts. The material importance as to whether the Appellant made an error, if any, on his Forma Pauperis form is insignificant in the context of properly addressing such issues.

Finally, what 'harmful' error or even error of magnitude could have occurred, if Appellant never formally had counsel? To Appellant's knowledge, no attorney ever filed an appearance on behalf of Appellant. Appellant was never formally represented at all. Any such error, if any, on his application for counsel would necessarily have to be a 'harmless error', especially in the context of the serious legal allegations still remaining so unaddressed in this case. (F.R.C.P. Rule 61)

CONCLUSION:

Appellant is not an attorney, nor an accountant, and has, to the best of his abilities and in good faith, attempted to comply with the rules of the Court. It is inevitable that

Appellant will make errors because of his unfamiliarity with the rules and procedures and Appellant is in the process of learning these rules as he struggles through the steps of expediting his case alone. To date the focus of the defendants and the court has been on minor clerical errors Appellant may have made, as a result of his Pro Se status and inexperience, instead of the central serious legal questions in the allegations identified. Defendants have focused primarily on rule 12(b) errors with a view to taking advantage of Appellant's inexperience and have, for the most part, not even responded to ANY of the Appellant's very serious allegations at all. The Court has identified most of these issues, their complexity, and must address these questions and disregard any minor errors Appellant might have made. (F.R.C.P. Rule 61)

In March, 1996, the District Court ordered Appellant to produce an amended complaint. Because of the primary focus of the Court on a minor, materially insignificant, error, if any, by Appellant, Appellant has not been given normal fair opportunity to file an amended compliant as is normally the practice and due process in the District Court.

Relief sought by Appellant from the United States Court of Appeals for the Seventh Circuit:

1. Order to Dismissal dated March 18, 1997 (see Appendix) should be amended to show the true and accurate record of the incamera meeting (3/18/97 Memorandum and Order - Docket #239 4/22/97) with the Appellant and proper sequence of decisions by the District Court. Attorney

Mr.Miller's dismissal was not relieved as counsel to Appellant or a result of , 'plaintiff was not entitled to appointed counsel', but instead Mr. Miller was already dismissed because of a conflict of interest accepted, previously, by the Court in the same proceding.

2. Also, the order, in Appellant's opinion, should be amended to properly disclose, that in the same proceeding, the Court's opinion was that Appellant had NOT committed fraud in these matters at all. This is particularly appropriate, in Appellant's opinion, because there was no change in the facts before the Court at that time and the time of the order to dismissal was eventually rendered. In addition, the Court had conferred privately with it's counsel before stating such. At the least this properly discloses just how 'minor' and 'harmless' any error, if any, the Appellant might have made in fact is. No elaborate scheme or fraud ever existed, and magnitude of any such error, if any, is materially insignificant, especially in light of the serious central legal questions posed in Appellant's allegations. the above context is also important to Appellant, as Mr. Miller, as it appears, may have prejudiced Appellant's case in this proceeding.

3. The Record should be made to show Appellant did not commit fraud. Appellant has simply disclosed his after tax income accurately on the form for Forma Pauperis. Appellant relied on the District Court to determine if this qualified him for appointment of counsel, and the Court did. Appellant should not be penalized for accurately disclosing a conventional accounting term and amount on his form.

4. The Record should be made to show no elaborate scheme existed to defraud the Court. All financial records have always been available to the Court. The Court, to date, has not performed any thorough reasonable review of all of Appellant's financial records at all. Financial disclosures by Appellant in these matters do correlate with financial condition and respective available records of Appellant.

5. Appellant's appointment of counsel should continue. Before counsel may be removed Appellant is entitled to a full and reasonable review of all of his financial records and to the extent feasible, in light of changes in his financial condition, he would be required to pay legal expenses. (F.R.C.P. Rule 3.86(A)) Also, the District Court has affirmed that this case is complex, as put forth via Rule 3.82 and Appellant's original motion for counsel. Counsel should be appointed as the Court has already affirmed complexity.

6. Appellant's case should be reinstated and continued because the Record is incomplete. Appellant's case should be reinstated for due process for the record is woefully incomplete. For example, Baxter and it's immediate defendants have never been required to respond to even ONE of the serious allegations the District Court has identified within Appellant's first Complaint or allegations identified in the subsequent Memorandum filed by Appellant on 4/4/97. (see 3/31/95 - Reply Memorandum by defendants Loucks, Baxter, etc. Docket #73 4/22/97) No oral arguments, no amended complaint, and no such normal due process has been rightfully extended to Appellant.

7. Appellant's case should be reinstated and continued. The error by Appellant, if any, for which the case was dismissed does not affect the very serious subject matters, or principle issues, within the Appellant's case. The Court cannot disregard these issues in the case because of a harmless error, if any, the Appellant may have made because this is inconsistent with substantial justice. (F.R.C.P. Rule 61) "Harmless error is not ground for setting aside or disturbing verdict or judgment; appellate courts sit to do substantial justice..." (*Morgan v. Sun Oil Co.* (1940 CA5 Ala) 109 F2d 178)

8. Question of Venue: In retrospect, Appellant, and most of his friends and relatives, have expressed great concern that Appellant may not be able to have a fair hearing of his case in Illinois. For almost a year, the District Court attempted unsuccessfully to appoint counsel that would formally represent Appellant. This was almost exclusively because defendant Baxter has retained virtually every major law firm in the region. Prior to this, Appellant, and perhaps the Court, did not know that defendant Baxter had such a 'stranglehold' and exerted such extensive influence on the legal community here. For almost a year Appellant awaited upon the Court appointment of counsel and upon advise of how to proceed while he has had some recovery financially. This unfair delay may have resulted in the misunderstanding of Appellant's financial condition. Finally, when counsel was appointed, in the form of Mr. Miller, it was counsel who had a very serious conflict of interest and who may, as it appears, unfairly prejudiced Appellant's case.

Also, Appellant has attached, herewith, his Certificate of Interest. However, Appellant would also like to note, relative to this, that his filing of 4/4/97 also states the possible involvement in these matters of the former U.S. Attorney, Mr. Anton Valukas. Presumably, and respectfully, many in the Court might have worked with Mr. Valukas before and might not be able to view or judge Appellant's case without prejudice.

Because of the above events and matters Appellant respectfully requests the Court to consider whether this is an issue and to whether this case, and perhaps this appeal, should be heard outside the State of Illinois. Certainly, if counsel is appointed, this perhaps, should also be from outside the state.

The Court is faced with a choice to focus upon the central legal issues in this case of considerable import or other much less serious issues.

In the past, the defendants in this case have attempted to take advantage of the Appellant, his Pro Se status and inexperience while not being an attorney, an accountant, or his unfamiliarity with the Court's rules or procedures, by focusing this case on insignificant clerical errors and other matters not having any relevance what-so-ever to the serious legal issues central to Appellant's case. these issues have been identified by the District Court, an attorney appointed by the Court, and Appellant. Appellant respectfully begs the Court to consider those matters of utmost importance so that substantial justice may be done.

Respectfully submitted:

Roger Lee Heath
PRO SE

Roger Lee Heath (Appellant)
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APPENDIX

1. Copy of District Court Order Appealed
2. Certificate and Affidavit of Service